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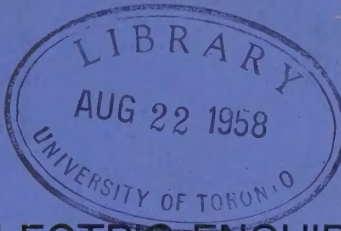
"Inquiry"

Commission 1922-24

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HYDRO ELECTRIC ENQUIRY COMMISSION

EUGENIA AND MEAFORD

GENERAL EVIDENCE CONCERNING CAMPAIGN

Toronto, February 21st and 22nd
TORONTO, FEBRUARY 27TH, AND MARCH 1ST, 1923.

W. C. Coe
Official Reporter

HYDRO ELECTRIC INQUIRY COMMISSION

PARLIAMENT BUILDINGS, TORONTO.

WEDNESDAY, 21st FEBRUARY, 1923.

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HYDRO ELECTRIC INQUIRY COMMISSION

PARLIAMENT BUILDINGS, TORONTO.

TUESDAY, 27th FEBRUARY, 1923.

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HYDRO ELECTRIC INQUIRY COMMISSION

PARLIAMENT BUILDINGS TORONTO,

THURSDAY, 1st MARCH, 1923.

GENERAL SUBJECTS

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(The Commission adjourned at 1.50 p.m.

Thursday, 1st March, 1923, to the
call of the Chair.)

HYDRO-ELECTRIC INQUIRY COMMISSION.

TORONTO, FEBRUARY 21st, 1923.

PRESENT:

W.D.GREGORY, ESQ., CHAIRMAN.

M.J.HANEY, ESQ., COMMISSIONER.

LLOYD HARRIS, ESQ., COMMISSIONER.

J.A.ROSS, ESQ., COMMISSIONER.

R.A.ROSS, ESQ., COMMISSIONER.

COMMISSION RESUMED AT 2:15 P.M.

F.T.CLARKSON.

TO THE CHAIRMAN:

Q. You are auditor for the Province of Ontario of the accounts of the Hydro-Electric Power Commission? A. Yes, sir.

Q. You are appointed by the Government? A. I was appointed by the Government and held my position from the Government, the remuneration being fixed by the Commission, subject to the approval of the Government. I report to the Government.

Q. You make annual reports to the Government?

A. They have always been made to the Treasurer.

Q. You make them when sending in the result of your audit?

A. I make reports direct to the Treasurer. That originated when we were first appointed in May 1916, I reported then to Mr. McGarry and subsequently I reported to Mr. Peter Smith. I was appointed by order-in-council.

Q. Before that there was no audit except that made by the Provincial Auditor? A. No, the Hydro had an auditor, Mr. W.S. Andrews, and then I think Mr. Clancy, Provincial

Auditor, took some interest in the accounts, but how far, I do not know.

Q. He made comments on them? A. He made comments upon them, that was before my time.

Q. Does your audit include what might be called the Hydro Radial section of the Commission's work? A. Yes.

Q. Will you look at your report for the year ending October 31st, 1919, pages eight and nine, and tell us something about the expenditures you refer to there in connection with the Toronto and Port Credit Railway?

A. I see on page eight Hydro Radial Railway Construction \$95,584.34, this represents an expenditure of \$54,811, made of purchases of right-of-way between Port Credit and Toronto, for the purpose of an Hydro-Electric Railway; \$40,773 disbursed by the Commission in connection with preliminary surveys, engineering investigation and for other purposes in connection with Hydro Radial lines.

Q. What do other purposes include? A. Engineering and surveying.

Q. You have mentioned surveying? A. One was purchases, there were expenditures made by the Commission in connection with by-laws and holding meetings and printing bonds and different things along that line, educating or fostering Hydro Radials.

Q. Promoting sentiment in favour of the undertaking?

A. I would call it promoting or educating, whichever you like; educating and explaining is what they would call it.

Q. By public meetings? A. Yes, by public meetings and then there are expenditures for printing bonds.

Q. Interviewing municipal councils? A. Also things along that line.

Q. Did you read all about that? A. No, I say: in regard to the \$54,811.06 "There was no statutory authority in the Commission to make purchases of such right-of-way, but the Commission states that it received assurances from Sir William Hearst, the late Premier of the Province of Ontario, that if it would obtain resolutions by the municipalities interested requesting the Government to introduce and pass all amendments to existing legislation that may be necessary to validate the building of an electric railway line between Toronto and Port Credit as a part of the proposed Toronto to St. Catharines Hydro-Electric Railway - so as to make the same legal, valid and binding upon the municipalities - that the Government would, with the presentation to it of such resolutions, support legislation to that effect. On the basis of these assurances and with resolutions by the municipalities in its possession the Commission felt justified in acquiring such right-of-way, and later making further expenditures thereon out of funds held by it under the terms of the Power Commission Act, in the belief that by so doing it would make a saving in the cost of the proposed Port Credit to Toronto railway line".

The point of that is this: they had bylaws voted for the Railway between Toronto and Port Credit and London, one continuous line. The idea was to separate that into two sections, one Toronto to Port Credit and St. Catharines and there was a question as to whether they had a legal power to go ahead in the part instead of the whole. That was the reason for the application to the Government.

Q. They had no statutory authority to make that expenditure?

A. They had no statutory authority.

Q. They claimed they had a letter from the Prime Minister authorizing this expenditure? A. Yes, sir.

Q. Did you see the correspondence? A. I saw the letter.

Q. Was there anything in that letter authorizing it?

A. This clause is from excerpts from that letter.

Q. What was the date of that letter? A. These are copies of the letters, these are the ones that I saw.

These are let^{er}s from Sir William Hearst to Sir Adam Beck, September 6th, 1919; S.S. McInnis to Sir William Hearst, November 9th, 1919 and Sir William Hearst to Col. McInnis, September 10th, 1919.

Q. It was on the strength of these letters that they justified this expenditure? A. That they justified this expenditure, that was one point in connection with it.

The next point in connection with it was if they had authority to make the expenditure, I doubted their authority to use funds of the municipalities and Power Commission for that purpose.

Q. That is, to make these purchases for the radial railroads they took funds from the Power Commission in which they were acting as trustees for the municipalities and which was made up of rates paid by the municipalities?

A. It was mixed; it was either by advances from the Province, sinking fund, general funds of the Commission; it is just a common pot.

Q. It had nothing to do with the radial railways?

A. Not at all.

Q. Was there any question about that; would you say, as auditor, they had no right to take it out of that fund?

A. No, in the first place I say with regard to the \$54,000 there was no statutory authority to make the purchases. Then, I say, with regard to the other \$40,000, the right of the Commission to make such expenditure is questionable, that covered both.

Q. Is it questionable as to whether they had a right to take it out of the Power Commission's funds and use it for radials, was there any question about that?

A. I think there is; the Hydro Radial Act is deficient. Under the Hydro Radial Act it says "Whenever the Lieutenant-Governor-in-Council requires or permits the Commission to do so it may investigate as to the cost of constructing an electric railway, etc." It gives them power to make the investigation. Then the next step in that Act is it allows them to issue bonds, to sell bonds, after the municipalities have deposited their bonds with them; but while it may have contemplated that after the Government had authorized the execution of the contract they could expend the monies up to the time they issued their bonds, there was no provision put in the Act permitting them to make expenditures.

Q. Perhaps it was the intention of the Legislature not to give them permission? A. I do not pretend to interpret that, but I do say, as a matter of fact, there is not that provision in the Act.

Q. So that there was no authority in the Statute to make expenditures of the class to which you refer?

A. In my opinion there was not.

Q. Is there any question in your mind as to whether they had the right, having made that expenditure which you say was illegal, as to whether or not they had the right to take the funds to meet that expenditure, out of the general funds held by the Ontario Power Commission?

A. No, I have always taken the attitude and I believe they have no right to use funds held in trust for the power undertaking for any other purpose; they had no right to use it for radial purposes.

Q. To what extent was it done in the year to which you refer? A. \$95,000.

Q. Was it continued after that? A. Yes.

Q. When? A. At the end of October, 1920, they had expended on the Port Credit to St. Catharines Radial Railway, acting on this letter of Sir William Hearst, \$413,000 as against which they had borrowed \$100,000 from the hypothecation of \$1,200,000 of Port Credit-St. Catharines Bonds, guaranteed by the Government; in other words, to that point they had used \$313,000 of Power Commission funds. I did not think they had the right to use that money. They rectified that situation in December 1920 by borrowing \$500,000 on the \$1,200,000 of radial bonds and they put the money back there. In the meantime I did not consider they had a right to use it.

Q. Was it taken out in any subsequent year? A. Not on that road. If they paid out further monies they paid them out of borrowings against these bonds. They borrowed \$500,000 and at this point they had spent \$413,000,

leaving them with \$87,000. I know in 1921 there was a balance; I have not calculated whether there was a balance at the end of 1922 or not. They had spent \$683,000 up to the 31st October, 1920 out of Power Commission's funds. They had spent \$43,946 on the Toronto and Eastern Railway; \$26,984 on the St. Catharines and Niagara Falls; \$36,482 on the Hamilton, Galt and Elmira; \$17,674 on the Hamilton, Brantford, Woodstock and London and they had spent \$6,610 in connection with the Niagara, St. Catharines and Toronto Suburban Railway.

Q. What were these expenditures made for? A. Generally for the same purpose. They had spent up to that time in connection with the Butherland Royal Commission \$44,704. In regard to the Port Cred-St. Catharines, to October 31st, they had expended \$413,000, against which they had borrowed \$100,000 from the Bank of Montreal on the security of \$1,200,000 bonds of the Commission guaranteed by the Government. The remaining \$313,620 was obtained by the use of appropriations and funds held by the Commission for the benefit and purpose of the Hydro Electric Power Commission. \$7,111.19 having been expended in 1919, while \$406,509.66 was expended in 1920. Since October 31st 1920 to December 28th 1920 the Commission borrowed a further \$400,000 from the Bank of Montreal upon the security of this \$1,200,000 of bonds before mentioned; thus repaying to the Hydro-Electric Power system the monies withdrawn out of appropriations held for their benefit and leaving in the

hands of the Commission for the purpose of the Port Credit St.Catharines Railway the sum of \$86,379.15. Toronto and Port Credit Railway expenses to the amount of \$683,286.74 were met under these circumstances. I mentioned Sir William Hearst's letter in that connection.

Toronto and Eastern Railway; to October 31st 1920 there was expended the sum of \$43,946.40. The monies expended by the Commission upon the Toronto and Eastern Railway were provided out of appropriations and funds held by it for the benefit of the Hydro Electric Power Commission. The officers of the Commission state that instead of asking for an appropriation by the Legislature out of which to make such expenditures at the cost of the Province the monies mentioned were disbursed out of the funds in the hands of the Commission and capitalized upon its books in expectation that construction of the railway would be proceeded with, that with the sale of securities for such purpose the monies would have been repayable to the Commission as part of the cost of the construction of such railway. The same remarks as to the Hamilton, Galt and Elmira Railway; Hamilton Brantford and Woodstock; the Niagara St.Catharines and Toronto Railway, and Toronto Suburban.

Q. What year is that? A: That is 1920.

Q. Have any monies been spent since that date? A. Port Credit, St.Catharines \$63,000 spent in 1921. I say "After repaying \$413,000 that was taken out of the Power Commission funds in 1921 they borrowed \$400,000. and they had a balance of \$22,697 to the credit of that road, the Port Credit to St.Catharines road in 1921."

Q. Were any borrowings made for this purpose the following year? A. No, not that I know of.

Q. This would include them all? A. That is the \$500,000 spoken of.

Q. Was the money that was taken out of the funds of the Power Commission for the Radial paid back to that fund? A. No, well, this \$477,000 on the Port Credit-St. Catharines Railway was all paid back out of borrowings on these bonds.

Q. Has the whole of the money that was taken out been paid back and if not what balance is due to the Power Commission's funds for these advances for radial railway purposes? A. There is \$735,000 on the Toronto-Port Credit still outstanding.

Q. To what extent has the Power Commission's funds been drawn upon for this purpose and how does the balance stand today? A. I have not got the accounts right down, we are working on these accounts.

MR. GUILFOYLE: Sale of equipment restored certain funds, they have \$1,200,000 of bonds guaranteed by the Province. The debit balance to October 31st, 1922, was \$782,407, which all came out of Power Company's Funds. Then in addition to that, in October, 1921, they charged \$336,995 of monies taken out of the Power System's funds and used for radials and the Sutherland Royal Commission, that amount of money comes this way: Expended on radial railways, investigation \$151,000, including \$130,000 capitalized to October 1920; expended in connection with the publication of information for the Royal Commission,

\$335,123; total \$486,995, of that amount the Government had paid over to them \$150,000, which left a debit balance of \$336,995. That means that these funds have been entrenched upon to the extent of \$1,119,000

Q. Still continue to be? A. Yes, sir.

Q. Do you mean that \$1,119,000 has been taken out of the funds of the Power Commission and used for radial purposes? A. Yes, sir.

Q. Do you refer to that in your report?

MR. CLARKSON: I have referred to these things.

Q. When did you last make reference to it? A. In last year's report.

Q. Were the remarks which you made just now from your 1922 report? A. I have not got the 1922 report out yet, this is the 1921 report.

Q. Do you still hold the opinion which you have expressed there, that it was illegal to do that? A. To take these monies? Yes, sir.

Q. Where is the money to come from to pay back the Power Commission, money taken out for radials?

A. I suppose with regard to this Port Credit to St. Catharines, this \$782,000 will be reduced by whatever may be realised on the right-of-way, materials and supplies.

Q. That is if they sell the right-of-way, anything they received for that would be applied on account?

A. In reduction of that, if the railway is not gone on with; where the balance is to come from, I do not know.

That is a matter of policy between the Government and the Commission.

Q. Has the Commission any fund on which they can legally draw it? A. No, sir.

Q. It is a case then of a party who is a trustee for two parties using the fund of one for the purpose of the other? A. Put it in this way; I contend and believe that the whole tenor of the Power Commission Act is that any monies received by the Commission are trust monies.

Q. For the municipalities? A. Ear-marked for the definite purpose for which they are received and while they go into a common fund, I do not think there is any power in the Commission or anybody else to pay these monies out of that fund, except for the specific purpose to which they are intended.

Q. Then if the Commission does not recover this fund except from the sales of right-of-way, will the municipalities for which the Hydro act lose that amount of money?

A. You are asking me a question I cannot answer.

Q. Unless someone comes along and finds the money, ~~have~~ they any fund out of which they can pay this, assuming the Legislature does not supply them with money for the purpose of radial roads and to meet their indebtedness, have they any fund from which they can draw this money to pay back the Power Commission? A. No, although there may be some question as to what the liability of the municipalities would be on the Port Credit-St.Catharines, behind the railway. Where the municipalities behind the Toronto to Port Credit Railway and the Port Credit to St.Catharines Railway are concerned and where they have

deposited their bonds, there is a legal question as to what, if any, liability they are under.

Q. Were not some expenditures incurred before the municipalities handed over their bonds to the Commission?

A. Yes, some minor portion. In connection with that hiatus I mentioned where they could investigate up to a certain point, this is merely my interpretation, there may be another interpretation, but as I read the Act they have the right to investigate and expend money out of the government appropriation for that purpose; then I ~~think~~ their authority stops for the time being. The next time they are allowed to spend money is after the bonds of the municipalities have been deposited with the Commission and the Commission's own bonds have been sold and the funds come into their hands, then they are allowed to go ahead and spend out of that but there may be a question about the hiatus in the meantime, as to whether they would have the right to recover from the municipalities, I am inclined to think they would have to a very considerable extent, the right to recover but not the right to spend Power Commission funds.

Q. The only two sources from which they could recover that money would be either from appropriations made by the Legislature or from the sale of the bonds issued by the municipalities and held by the Commission?

A. There are three sources; first, realization on the right-of-ways and materials; second, funds that the legislature may apportion to take care of any

deficiency and if it does not do that then the question arises as to whether these municipalities on these lines are responsible for these expenditures.

Q. There may be a legal question as to whether the municipalities are liable? A. Yes.

Q. As they hold the bonds of the municipalities, it might possible be held that they had the right to sell these bonds to meet these deficits? A. It might be so held, I do not attempt to say what the position is there.

Q. Is not it a somewhat serious matter that the funds of the Power Commission held for these municipalities in connection with power should have been depleted to that extent without any absolute assurance that they would get it back? A. I think I have always regarded it as a very serious matter and I have so reported it. I have always fully reported that situation.

Q. Have you take it up with the Commission? A. The Commission has always known our views about it thoroughly and I have also discussed it at different times with the Government, or members of the Government.

THE CHAIRMAN: Mr. Pierdon you have heard what Mr. Clarkson says about taking funds from the Power Commission for radial railway purposes, what do you say about that?

MR. PIERDON: I did not catch just what Mr. Clarkson had to say about the Port Credit-St. Catharines section, whether he explained that we had raised money on the bonds issued by the municipalities and spent that.

MR. GABY: The Commission's own guaranteed bonds.

MR. CLARKSON: That is \$500,000.

Q. There is a very large sum which was taken out of the funds of the Power Commission and used for radial purposes and it has not been paid back and Mr. Clarkson says there are only three sources from which it can be taken, either from the sale of the right-of-way of the radials, which doubtlessly would realise something; from an apportion by the Legislature, or by the sale of the bonds held by the Commission for the municipalities?

MR. PIERDON: Yes.

Q. Do you agree with that?

MR. PIERDON: I cannot say, I have not done anything in that matter. In so far as expenditures are concerned on that section, the Toronto and Port Credit, it is a question of policy with the Commission and I believe they have dealt with that and they considered they could make these expenditures.

Q. Is there any question in your mind as to the legality of the fund from the Power Commission for Radial Railway purposes, can you show any statute which authorizes it to be done? A. No, not exactly, sir.

Q. You know of none? A. No, sir.

Q. Can you show any authority of any kind, other than the Statute? A. No, not unless there is something in the general fund section of the Act which would allow us to use it.

Q. Supposing the Legislature does not vote any money and you cannot realize upon the bonds of the municipalities, in what way would you get funds to pay back this expenditure, except from the sale of the right-of-way?

A. Further than what might be realised from sales like that I am not prepared to say; I suppose it is a question of policy between the Commission and the Government as to what they might do.

MR. GABY: I think you will find that matter was very thoroughly dealt with before the Sutherland Commission. This question of expenditure on the Toronto-Port Credit section of the line was dealt with fully at that time and explanations were given as to why that money was spent and on whose authority. Letters and correspondence between the Government and the Commission in connection with that section of the railway was submitted and printed in their report; it was dealt with very fully at that time.

THE CHAIRMAN: We find certain letters from Sir William Hearst produced but on the face of them they do not seem to carry any authority to take money from the Power Commission for radial purposes or for any other purposes.

MR. GABY: I think you will find an order-in-council was at that time passed, I do not know whether it was signed or not, giving authority and the Commission were authorized to go on and do these things in the meantime until proper legislation had been enacted.

THE CHAIRMAN: We will hear from Sir William Hearst as to that.

SIR WILLIAM HEARST

TO THE CHAIRMAN:

Q. There is a question as to whether the Government of which you were the head authorized the taking of these monies for radial purposes? A. Any authority would be in writing, by order-in-council or in some other way. I have had an opportunity of reading these letters, that you, Mr. Chairman, were good enough to give me last night. I do not see how I can orally add very much to what these letters contain. I expressed myself as clearly and as intelligently as I was able to then and I do not think I can improve upon it today.

Q. Were any oral representations made by you on this subject, or is it all contained in the letters? A. The situation, as I recall it, and I ~~spoke~~^{speak} with very great hesitation and I maybe quite wrong as to what I am about to state, but my recollection is that the Toronto-Port Credit section was originally voted upon and dealt with in connection with the projected railway from Toronto to London.

Q. Yes, it was to branch off at Port Credit? A. It was subsequently, in 1919 or around then, thought to treat that section as part of the railway from Toronto to St. Catharines and the question then arose whether bylaws that had been passed or the statutes, if any, that had been enacted, were sufficient to legalize that procedure. My recollection is that the Hydro Commission felt that it had - and I am not clear - but I think they had advised that they required no further authority in order

to go ahead and carry out the construction of the railway from Toronto to St.Catharines ~~with~~the authority they had received.

Q. The railway from Toronto London? A. Yes. I had some doubt about it when it came before me as to whether the authority they had was sufficient for the purpose, or whether it should be used in that way. Evidently prior to the 6th of September I had a conversation with Sir Adam Beck relating to that point and to make the matter clear and to be sure that there would be no room for misunderstanding I wrote the letter of the 6th September which asks specifically what the Hydro Commission require, if the things set out in the letter are the things they require and Col.McInnis answered that letter on the 9th of September in which he asks what the attitude of the Government will be if the municipalities pass resolutions approving of treating the Toronto to Port Credit section as part of the Toronto-St.Catharines and my answer is that the Government is prepared to support legislation approving of that action upon the presentation of resolutions by the municipalities. I say with reference to the Toronto to Bowmanville Railway that if the only difficulty there is not quite sufficient time under the Act for advertising the by-law, that we are prepared to support legislation that will overcome any difficulty of that kind. This was in September and I assumed the vote was going to be taken in January and there appeared to be sufficient time for publicity and I felt no hesitation in giving my assurance, which proved to be of

not very much account, as by the following session I had nothing to do with it.

Q-- Mr. Clarkson in his report states that the Commission

justifies its taking of money for railway purposes on the strength of these letters, was there anything in your mind as to that? A. If I heard Mr. Clarkson's report correctly, he simply quotes practically this letter, not saying it is the authority for expenditure of money, he takes the letter for what it is.

Q. The Commission justifies itself by your letters?

MR. CLARKSON: Put it this way, I raised the question of the expenditure of this money on radial railways and the Commission justified it on the ground that they had received assurances from the Government in the form of that letter which they felt were sufficient to authorize them to go ahead.

SIR WILLIAM HEARST: There is no doubt about what the intention and purport of the letter was; that upon these resolutions being obtained from the municipalities that the Government, so far as it was able to do so, would see that legislation was passed validating the construction of that railway in accordance with the resolutions. I think it is as clear on its face as I could make it.

Q. Did you make any verbal statement to them in any way authorizing on behalf of the Government, the appropriation of those monies? A. I have no recollection of a verbal statement. You see this letter is written asking if I have covered what is requested but I assume what the question is that they have the assurance, which

they undoubtedly had of myself as Prime Minister that we would submit the legislation and that legislation being supported that they had the right to go ahead on the assumption that it would become law.

Q. The letter just dealt with validating, so far as that railroad might be part of the road from Toronto to St.Catharines? A. Toronto to St.Catharines.

Q. Did you at any time to your knowledge, authorize the Commission to take the monies of the Hydro Power Commission and use them for the Hydro radials?

A. As I said before, if anything of that kind was dealt with officially it would be by way of order-in-council or something of that kind that the records would disclose.

Q. Mr.Gaby spoke of an order-in-council? A. Yes.

Q. Was there one passed? A. Well, I cannot say.

Q. Do you know at all? A. I have no recollection of it, but you might ask me about hundreds of orders-in-council during the time I was Prime Minister and I would have to give you the same answer, I might have no recollection of it.

Q. Could you go so far, Mr.Gaby, as to give the date of the order-in-council and produce a copy of it?

MR. GABY: No, but my recollection of the situation was this: it was confirmed probably in detail; the authority was given to the bank, a verbal authority to the bank, to extend a loan to the Commission up to a million dollars. Shortly after the ^{change} in Government the bank said, "We want a letter from the Provincial Treasurer confirming this understanding that you are to have a loan of this amount up to a million dollar

Q. I am not speaking of the loan from the bank but of the funds?

MR. GABY: This was for monies necessary to carry on this purposes of this right-of-way between Toronto and Port Credit, that is what we were to get the loan from the bank for, an overdraft, or a loan from the bank up to a million dollars and then a change of Government took place and we could not get the letter signed, although a number of attempts were made to get the Provincial Treasurer to sign the necessary letter required by the bank. We were unable to get that, the money had been spent in connection with securing right-of-way on this section, that money was borrowed from the bank and then the bank required that we should give them the notes of the Hydro Power Commission for what money had been loaned to us on that account. At a later date, failing to get a letter from the Treasurer -

Q. Have you in your mind any way in which this money that was taken from the Power Commission and used for this purpose is going to be paid back?

MR. GABY: It was carried as a loan from the bank for a long period of time, it was carried simply as a loan until the necessary legislation would be passed making this section between Toronto and Port Credit a railway which was passed in June 1920. The necessary legislation was passed enabling these municipalities to go on and become a railway between Toronto and Port Credit.

TO COMMISSIONER HARRIS:

Q. Did you know there was an order-in-council passed with reference to this? A. I do not know, I only had

hearsay evidence.

Q. Who told you? A. I think Mr. Lucas referred to it. I do not know whether it was Mr. Lucas or not, I think there was some order-in-council held up for some time.

THE CHAIRMAN: Do you know if there was any order-in-council passed, Mr. Lucas?

MR. LUCAS: Speaking now without looking it up, I remember that there was considerable in the files of the newspapers to show some discussion in the papers as to whether the legislation authorized them to go on and purchase right-of-way. I am speaking now of something that happened four or five years ago.

Q. I am speaking particularly of this money taken from the Power Commission, was there any order-in-council passed as to that?

MR. LUCAS: That is what I am leading up to. I have a hazy recollection - a clear recollection, first, of considerable newspaper discussion after the close of the House in which it was suggested that the Government had not authorized the Hydro Commission to go on and purchase right-of-way although it was clearly the intention that they should do so and the legislation did not give them that authority. There was something said and I want to look it up fully to know what it was. I think there was some attempt to cover that, or some statement by the Government at that time, that the legislation did authorise the purchase of the right-of-way on the Port Credit-St. Catharines line. That would either be an order-in-council or some legislation giving them that power; they believed they already had it. The Government were at that time

putting through legislation which was said to give the right to purchase right-of-way but when it was examined it did not give the right to purchase right-of-way.

Q. When you say a statement was made by the Government what do you mean, do you mean some verbal conversation?

MR. LUCAS: I am telling you I am only speaking in that kind of recollection one could have of something that happened four years ago. I remember a discussion as to whether the legislation authorized the purchase of right-of-way under the Radial Act.

Q. Between whom was the discussion?

MR. LUCAS: The discussion was in the newspapers.

SIR WILLIAM HEARST: There was an attack on the Government stating that they were holding up Hydro Radials.

MR. LUCAS: I think there was some action taken by the Government at that time to answer that, either by way of an order-in-council or by way of a statement as to legislation; or possibly it was a statement as to the views we took as to the authority the legislation gave.

Q. Would that be before the election? A. Yes, that would be before.

Q. You think there may be an order-in-council?

A. I think there is something there.

Q. It is a matter of hundreds of thousands of dollars, surely if there was an order-in-council authorising this expenditure, somebody would know about it.

SIR WILLIAM HEARST: The order-in-council would show it.

MR. LUCAS: It may have taken the form of a letter or authority to the bank to go on and advance the money.

Q. From whom would the letter come? A. It would come I presume from the Provincial Treasurer, it might have been a communication, I am only guessing now.

Q. From Mr. McGarry? A. I say I am only giving you my best recollection.

Q. It was sometime ago and I can understand you might not have a clear recollection; if a letter was written to the bank what bank would it be addressed to?

A. I presume to the Bank of Montreal, I have a clear recollection that there was some discussion and some action taken and I believe a proper search of the files would clear that up.

Q. A letter to the Bank of Montreal would not have any legal effect?

Q. Who wrote the letter to the Bank of Montreal suggesting that they should make this loan?

MR. LUCAS: You must not say that I said that a letter was written, I am only surmizing.

Q. Mr. Gaby ^{said something} about that? A. I think there was some action by which they undertook to go on and make the necessary advances to the Hydro to purchase right-of-way, that was from the Bank of Montreal.

Q. You would think Mr. Clarkson would have been told that such action had been taken? A. The bank did know it and made very substantial advances.

Q. At the request of the Government or Hydro?

A. I do not remember, my recollection is that the bank made advances to somebody.

SIR WILLIAM HEARST: I think it must have been assumed that the Government had the right to purchase the right-of-way. How they were to pay for it I have not in mind at all, but it is coming back to me but I think it must have been assumed that they had the right to purchase it.

COMMISSIONER HANEY: Under the Radial Act?

SIR WILLIAM HEARST: ~~Under~~ the Radial Act.

I will tell you why I think so. If you will search the Statute you will find prohibition against them buying right-of-way during war times; that is, there was a special statutory stop put in so that they could not purchase right-of-way. Now, if the legislature had not assumed they had that right they would not have felt it necessary to enact that legislation and if my memory does not fail me you will find that there is such legislation. Then that was subsequently removed when the war was over. The Government said, "During war time you must not go ahead with capital expenditure on the purchase of right-of-way". Then that was repealed, I think, you will find, in probably the last session of the Government when I was Prime Minister.

THE CHAIRMAN: We know that the money was obtained and it was taken out of funds of the Hydro Electric Power Commission of Ontario and it has never been paid back, it is still owing and the funds of the Hydro Commission have been decreased by that amount and that is the question that we are trying to get to the bottom of. Do you recall

any order-in-council which you passed or any letter that was written?

SIR WILLIAM HEARST: No, I do not recall any.

Q. Your letter was written on the 6th of September?

A. Yes, the election was the 20th October and I was pretty busy after the time I wrote that letter.

TO COMMISSIONER HARRIS:

Q. This must have all happened after Sir William was out of office?

SIR WILLIAM HEARST: If I understand Mr. Clarkson correctly he must have been in error.

MR. CLARKSON: The \$4,000 was spent between the writing of these letters and October 31st following and then a large amount came in the next year. They would not expend it in 1920. I state in my report that following that letter they spent \$54,000. Then in the next year they spent \$500,000; the expenditure was on the authority of that letter.

Q. That was all the authority they claimed to have?

SIR WILLIAM HEARST: In the meantime the Prime Minister who had written that letter had gone out of office and the legislation that we suggested had been enacted. This legislation was put on by the succeeding Government, so that there would be no sense in supporting in 1920 a disbursement on a letter written in 1919 that had been consolidated by legislation in the meantime.

THE CHAIRMAN: Do you recollect any letter or order-in-council authorizing the taking of this money from the funds of the Hydro Electric Power Commission of Ontario?

MR. LUCAS: No, I do not.

Q. You were a member of the Commission at that time; how would you justify the taking of the funds from the Hydro Electric Power Commission and using them for radial railways?— You are a lawyer and you were Attorney-General. What statutory authority is there for using that money, that is what we are trying to get at.

MR. LUCAS: Look at Section 6B, ~~on~~ the Power Commission Act, all monies are to go in a general fund.

THE CHAIRMAN: ~~That~~ has nothing to do with radial railways. Do you hold that the use of Power Commission funds for the purposes they were used in this case, was covered by that section?

MR. LUCAS: My view of that clause is this: knowing the history of it, it only carries out what it was intended to; if it does not we failed to draft the clause properly. The general fund is there and the money can be paid out of that for any properly authorized work without regard to the special trust fund to which that money belonged.

Q. Does it authorise you to take monies appropriated and held for one purpose and use them for another? A. I can only repeat what I said before, without regard to the special trust for which the money was received the general fund authorises it being paid out for authorized purposes.

Q. That clause you just read is a matter dealing with bookkeeping, rather than authorizing the use of the monies appropriated for one purpose for another? A. No, I do not think so.

Q. You think you have the right to take these monies that were received from the Niagara section and use them for buying a pulp limit in Central Ontario? A. If it is an authorized purpose and may I add, it is exactly the practice followed by the Ontario Government.

Q. I am not familiar with that? A. They borrow money under the Public Highway Act and they borrow money under the Power Commission Act; they put it in a general fund and pay it out for any authorized purpose without regard to the special trust for which it was borrowed.

Q. You hold that the action of the Commission in this case in taking these funds from the Power Commission and using them for radial railways was perfectly justified?

A. If it was an authorized purpose.

Q. Was it authorised? A. That leads to another question.

Q. Was it legal or not; Mr. Clarkson says it was illegal and not authorised by any Statute? A. I know Mr. Clarkson's views.

Q. You do not seriously differ with them? A. I do if he says if we had a matter of a million dollars in our accounts we must ear-mark each amount.

MR. CLARKSON: No, I won't take that view; I think it was absolutely impracticable from the standpoint of the Hydro to keep a balance down there of a million and a half or two million dollars for special things and then be starved and unable to pay their debts in some line but I do take the view that the money in that fund cannot be used except for authorized purposes and when I say authorized I mean authorized by Statute or

legislation and that brings you back to the point as to whether, in the view I take of it - I may be right or wrong, it is only my own opinion - but there is nothing in the Hydro Radial Act making the expenditure out of these monies of the general account, an authorized act.

MR. LUCAS: I am with Mr. Clarkson entirely but there is nothing in the point which you raise. If the Radial Railway is authorized and if the Commission are authorized to go on with the Radial Railway, section 6B authorizes the expenditure out of the general fund without regard to the source of revenue.

COMMISSIONER HARRIS: That is your view.

MR. LUCAS: That is the view just expressed by Mr. Clarkson.

COMMISSIONER HARRIS: No, it was not.

MR. LUCAS: If it is for an authorized purpose.

COMMISSIONER HARRIS: You are quite different and that is a very narrow slim thing to hold to.

THE CHAIRMAN: This was for an unauthorized purpose, you have nothing to show it was authorized?

MR. LUCAS: Yes, the legislation passed by the new Government and promised by the late Government, authorized the purchase of right-of-way and the other expenditures in connection with the Hydro Electric Railway. We were entitled to take the Power Commission's money to use for the purpose of paying these expenditures if they are authorized expenditures, and I think it is.

COMMISSIONER HARRIS: Out of the Provincial funds?

A. No, not out of the Provincial funds, the funds of the Commission.

THE CHAIRMAN: What do you say, Mr. Clarkson, as to that?

MR. CLARKSON: The view I take is that the money expended on Hydro Radial Railways had to be raised out of the sale of bonds of the Commission supported as collateral by bonds of the municipalities. Under these circumstances, I feel that the monies to be expended on Hydro Radial Railways had to come from the proceeds of the sales of bonds covering these railways; that is my opinion, I may be right or wrong, but that is the view I take.

COMMISSIONER HARRIS: That is the Act.

THE CHAIRMAN: Can you find any way in which the Commission can get the monies to pay this overdraft?

MR. LUCAS: It is a liability on the municipalities.

TO THE CHAIRMAN:

Q. Bonds are held to the extent of about \$11,000,000?

A. I think so.

Q. Sufficient of these bonds might be sold and the money paid back in that way? A. A liability on the municipalities.

Q. And if the right-of-way is sold, but the railway may go on? A. Yes, I think it is a liability of the municipalities if the expenditures were legally made.

Q. Have you looked into that question? A. Not recently.

Q. Some of these expenditures were made before the municipalities issued these bonds? A. I cannot speak as to that.

COMMISSIONER HARRIS: Have any of these bonds been returned to the municipalities? A. Not as far as

I know, I am not in touch with them now.

Q. There was a deputation here yesterday asking that legislation be passed authorizing the giving back of these bonds; if they are given back then the opportunity to get this money will stop? A. Yes, if the bonds go back, I am not giving any professional view but the general understanding of the Act is that there is a liability on the municipalities for the Radial expenditures.

THE CHAIRMAN: Perhaps Sir Adam Beck will tell us that because he knows more of this than any of us. Sir Adam, Mr. Clarkson has been telling us this afternoon in going into some features of the accounts and in dealing with the part of his report which states that money for radial purposes was taken from the funds of the Power Commission and that hundreds of ~~thousands~~ of dollars were drawn in that way and they are still unpaid; we would like you to tell us, if you can, if you have any idea how that money can be paid back?

SIR ADAM BECK: They are perfectly secured by the bonds deposited by the municipalities and if they were not deposited the municipalities would be liable anyway because the bonds could not be deposited until they were printed and I suppose they were not printed, the final legislation was passed in June, or as soon as possible, to carry out the stand taken and the authority was given by the Provincial Government.

Q. Have you any opinion as to the liability of the municipalities in that regard? A. No, I have not, the railway was authorised and voted upon and the necessary legislation passed making the Port Credit-St. Catharines

part of the section. It was not figured out as to the responsibility or liability of these municipalities but the Government, before the monies could be raised by the sale of bonds, stopped any further construction or purchase or expenditure until the Sutherland Commission would report upon it. We thought we were justified; I do not know what legal advice we had, other than the opinions we had at hand that we were at perfect liberty to use these funds. I do not think a letter was written to that effect but the fact was that the bank advanced certain monies, at first I think a million dollars and I know we asked the present Government to write this letter because the bank was asking us for a letter in confirmation. I think it was really by conversation between the Government or the Treasurer or whoever the arrangement was, that the bank management be given a letter. The present Government did not give the letter but it passed legislation confirming what the previous Government had undertaken, that this railway should become part of the St.Catharines, Niagara Falls and Port Credit Railway. That section was intended as part of both lines. On the line to London estimates were prepared and the people voted on that section.

Q. It was really a technical objection? A. No, it was to be part of the other line.

Q. It was really a technical question? A. Bylaws were prepared for these lines and they were not ready to vote on the St.Catharines line.

Q. It was that question that was to be settled by

legislation? A. Yes, a way to overcome it when it was found that we was the line we were able to go on with because on the London line several municipalities had not voted and one or two small municipalities had defeated it and that matter was left in abeyance and the other road was ready to go on and they carried the bylaw, sufficient to authorize going on with the railway and it was deemed better to make this section by itself apply to both lines. There was another thing; the possibility loomed up in the meantime that it would not be necessary to build a line from Port Credit to Guelph because the Toronto Suburban might become available because of the possibility that the Grand Trunk would be absorbed by the National Railways and therefore, that line would be available and it would not be good policy to parallel an electric road if it could be acquired. For all these reasons we thought it would be better to make the line to Port Credit a section by itself, applicable to the entrance of any future line. The Government said "If you will have resolutions passed by the municipalities, requesting their desire to have it considered as a separate section, we will accept that and pass the necessary legislation validating it. Nothing was done and with the change of Government the incoming Government did pass the necessary legislation.

Q. Reading these letters it would appear to me that these letters dealt with validating that legislation for the reasons you have outlined yourself just now,

it was not a matter of finance but a matter of validating that legislation? A. Well, the only expenditure that was made was made on that section and the bonds were deposited and everything in readiness to go on. There is no question about the liability of the municipalities that I can see. Of course there is some very valuable property purchases and it is a question in my mind whether we cannot get more money for the property than we paid for it; certain properties will bring more.

Q. Certain properties may? A. There is a question as to whether there will be any loss or not.

Q. Some property near the City might bring more but it would be rather difficult to sell a right-of-way through farms.

COMMISSIONER HARRIS: Did you just say all these monies were spent on the Toronto-St.Catharines line?

SIR ADAM BECK: No, \$725,000 I think, was the amount spent from St.Catharines to Port Credit and I think half a million spent within the City.

Q. The total amount owed by Hydro Radials to the Hydro Power Commission is \$1,100,000?

MR. CLARKSON: It amounts to this: Port Credit-St.Catharines, \$480,000 has been spent on that, but that is covered by borrowings against the bonds of that railway, so that at the present time there is no money out of the Power Commission's funds in respect to the Port Credit to St.Catharines, but on the

Toronto to Port Credit line \$782,000 have come out of the Commission's funds and then there is the cost of the Sutherland Commission \$336,000 and other railways, making the total \$1,119,000.

SIR ADAM BECK: The \$336,000 was a special warrant.

MR. CLARKSON: There is that point that has not been touched on, I understand that when that \$336,000 was charged against the Government they asked for a special warrant, a Treasury Board minute for the payment over to the Commission of that sum. The treasury warrant was issued but the payment was not made.

MR. GABY: The treasury warrant was made but they asked to hold off payment of that until after the first of the fiscal year, it has never been paid.

Q. The minute has lapsed and nothing can be paid out under the authority of it at the present time?

MR. GABY: I do not know; we had a special warrant and they asked the Commission if they would not hold that until after the first of the year.

Q. I fancy two sessions have intervened and it would not be in force? A. Probably not.

SIR ADAM BECK: We asked for it, we cannot make them issue it.

THE CHAIRMAN; Mr. Hannigan was subpoenaed to be here today but we received word that he was ill and a doctor's certificate was sent stating he could not be present. Do you know when we can arrange to hear him.

MR. GABY: I really do not.

Q. Could we communicate with him through the Commission?

MR. GABY: No, direct, we are not in communication with ~~him~~ except occasionally.

SIR ADAM BECK: Have you a copy of this letter written on September 15th, 1922, by Mr. Pope to the Provincial Treasurer?

THE CHAIRMAN: I do not know, I am not familiar with it.

SIR ADAM BECK: It states "I have been instructed by the Commission to make application to the Government for the balance of the Commission's expenditure on Provincial account, this balance you will recall amounted to \$364,000."

THE CHAIRMAN: That was the Sutherland Commission?

SIR ADAM BECK: Yes, "the total appropriation was \$639,068.86 as per legislative vote 106 and 201. The Commission received \$275,068.86, leaving a balance of \$364,000. He also states he is directed by the Commission to inform the Government that upon receipt of this sum the Commission will be placed in the position to return to the Government a sum slightly in excessive of this amount, which represents funds drawn by it in excessive of its requirements during the past year.

Q. Have you a reply to that letter?

SIR ADAM BECK: I do not think we had any reply.

Q. Does this money that was drawn out of the funds for

radials bear interest?

MR. CLARKSON: They have always been charged interest upon it.

Q. Has the interest been paid? A. It will have been paid on the Port Credit and St. Catharines but not on the rest, it simply increases the account.

Q. It is just being added to the account? A. Yes.

Q. Is it capitalized? A. Naturally, it would not be anything else. They expended \$736,000 to 1921 on the Toronto-Port Credit for right-of-way and materials and one thing and another and in interest for the year is \$47,000, and that is capitalized. That is the only thing to do, that is the proper treatment.

Q. It is a growing fund? A. It is a growing cost.

There is no other means of treating it. On the Port Credit-St. Catharines there is interest, part of which was met by money in the bank and part by realizations.

MR. LUCAS: Thinking over what you asked me about before, it has just come to my mind more clearly as to what took place and it has just been confirmed by Mr. Gaby. There was some question as to whether or not the legislation adopted by the House authorized the Commission to go on.

Q. When was this? A. I think that would be in the Spring of 1919; some legislation was passed and there was some question immediately raised in the Press as to whether or not the Commission then would have authority to go on and purchase right-of-way and the Government were more or less criticised upon the ground that their legislation did not give the right to go on and purchase right-of-way

so that the Commission could secure right-of-way. In answer to that, and the files of the newspapers will show this quite clearly, the answer issued by the Government at that time to the Press will appear in the daily papers, and it was that in our view the legislation gave them full authority to go on and purchase right-of-way under the Hydro Radial Act.

do not
THE CHAIRMAN: I think any question has been raised as to the right to purchase, it is the right to take these funds from the Power Commission for that purpose.

MR. LUCAS: My statement only touches the other that there was full authority, a statement appeared in the press by which the Government said, "You have authority to go on and if you have not, and if there is any doubt about it, we will remove that doubt at the first opportunity"; that is as to the legislative right to go on and make expenditures, and that to my mind makes it clear.

SIR WILLIAM HEARST: There was full power, I think, Mr. Chairman.

THE CHAIRMAN: I think at that time the Commission had the municipal bonds in its hands.

MR. LUCAS: I think it had.

SIR WILLIAM HEARST: The vote was taken some years before.

THE CHAIRMAN: In my part of the country the vote was taken in 1916 or 1917.

SIR WILLIAM HEARST: The vote was all taken in 1916 and 1917.

THE CHAIRMAN: My attention is called to the fact that the title of this Act is "For the Transmission of Electric Power to Municipalities" there is nothing in that under which radial lines could come. Mr. Clarkson joins issue with you on that point.

MR. LUCAS: That is where you and I differ as to what Mr. Clarkson's says.

THE CHAIRMAN: There is just one other question; you recall that you were here once before in connection with the Nipigon Development and we dealt with the questions of interest accumulating, how much of the interest due on the Nipigon Development for the year ending October 31st, 1922 was paid or defaulted?

MR. CLARKSON: \$289,130.

Q. Then the Commission defaulted to the extent of \$289,000 in the payment to the Provincial Government?

A. That much of the interest unpaid.

Q. Does it still remain unpaid? A. Still remains unpaid, it is so shown on the interest statement to the Government.

Q. Is there some interest of the former year still unpaid? A. \$71,000.

Q. What is the total interest on the Nipigon Development still remaining unpaid by the Commission and past due?

A. \$361,000 but it will be reduced by \$40,000, it will amount to \$321,000.

COMMISSIONER HANEY: Is that on the 5% basis?

A. No, the rate fixed by the Government, there is \$71,000 difference between the 5% and the actual amount.

---Adjourned at 4 p.m. until 10:30 A.M. tomorrow morning.

FEBRUARY 22ND, 1923.

COMMISSION RESUMED AT 10:30 A.M.

G.T. CLARKSON, Continued.

TO THE CHAIRMAN:

Q. Mr. Lucas referred yesterday to section 6B, he spoke of knowing the history of it and having, I think, drawn it, would you tell us what you know of the history of the section and the purpose for which it was passed?

A. I came up in this way: In auditing the accounts of the Commission in 1916 and 1917 I was troubled with the question as to whether under the terms of the Power Commission Act we might not be required to establish one hundred different trust funds in this way: they would get in so much from Toronto on sinking fund account and that would be money received from Toronto specifically for sinking fund purposes. They would get so much money in from Toronto for renewals, that would be charged in their rates and I took the view that that money was received in trust specifically for renewal purposes and so on all the way down the line and it embarrassed us and I took the matter up with Mr. Kilmer, I had power to discuss legal matters with him. The conclusion we came to was that there ought to be some general fund where all the monies¹ of the Commission could go but we never contemplated that monies could be taken out of that fund other than for strictly authorized purposes. Now, I will confess, that my view in the beginning was even stricter than that.

Q, You mean if money was voted by the Legislature for some purpose and given to the Commission and if money from some particular fund applicable under the Statute to some particular purpose came in, that the presence of that would not in any degree lessen the obligation of the Commission to apply it according to law?

A. To the purpose for which they got it. I have taken a little broader view looking at the necessities of practical operation. You might have in the general fund a credit balance of a million dollars, at the same time you might have the appropriation to Chippawa exceeded and a request before the Government for \$500,000 and that request not met for a week or ten days or two weeks. Now, it would be foolish to leave a million dollars in the funds and shut down the Chippawa works just because the Government might be behind hand in paying over the appropriations that had been authorized to be paid to the Commission. Therefore, I think, as far as the general fund is concerned it would be perfectly proper, and I think it is necessary to allow funds in the general account to be used for authorized purposes.

COMMISSIONER HANEY: Which would be Hydro power purposes?

MR. CLARKSON: That is the view I have taken. Otherwise if you did not do that you might pile on added interest costs on the operation of the Commission to the extent of \$50,000 or \$75,000 a year.

Q. Supposing the Government don't grant the appropriation?

A. Then it is not authorized.

Q. You would not allow it to be paid out if it was not authorized? A. No, it is authorized by the Legislature and then they draw against it from time to time.

Q. You would not allow money to be drawn out unless you were absolutely certain there would be money coming in to take its place? A. I do not consider it is authorized unless there is an appropriation to cover it; I think that is the correct way to deal with this situation.

Q. Have you anything more to say about the history of it?

A. I took it up with Mr. Kilmer and he drafted that clause and he gave it to me as his opinion that the way the clause was drafted it followed very largely the terms of the Audit Act of Ontario and it meant that monies could not be expended for other than specified purposes for which they were held; that the merging of them all in one account did not widen the responsibility or lessen the responsibility of the Commission to apply them as they would have had to apply them before.

If Mr. Kilmer's view is correct it does not give them power to spend the money for unauthorized purposes. My view is that you have got to have authority to spend the money for authorized purposes. We have been working on the line that it is proper to spend the funds for authorized purposes.

Q. Not for unauthorized purposes? A. There is nothing in the Act about it.

Q. Mr. Lucas expressed the view yesterday that they could give the Commission power to use the funds for purposes for which they had not been specially appropriated?

A. Quite frequently we disagree and this is one of the points where I am not in agreement with the Commission in the interpretation of that section.

Q. Had you found prior to this being passed that monies had been taken from certain funds that had been voted for certain purposes and used for purposes for which they were not authorized? A. Oh, I do not think there is very much to complain about until you come down to the question of radials. In the working of a very large undertaking like this there will always be questions but where you can deal with it from a business standpoint there is not much difficulty.

Q. You spoke yesterday of a large fund taken from the funds of the Power Commission and used for radials, are there any other funds which have been diverted in the same way? A. I could not say off hand, except the Central Ontario funds, that was a diversion.

Q. At the present time? A. No, not now; you have got to remember that throughout the whole course of this development it has been in the course of evolution. It started off with an Act within four narrow walls, it was all right in the beginning but when they started to broaden out it was impracticable to deal with it from a business standpoint. When we came to our first audit so many things had been done that were absolutely proper from a business standpoint but they were not covered by the Act and very extensive changes had to be made in the Hydro Commission Act. For instance they bought the building on University Avenue, it was entirely approved

of, it was known and the Government raised no objection, to it, but at the same time they had absolutely no power under the Act to purchase it. That was one of the things I drew attention to and the Act was changed and the purchase was validated and the purchase of buildings was then brought down to a solid basis. There were a number of things like that. Amendments were very extensive in order to bring the Commission within the laws of practical operation and ever since then it has been a question of evolution so as to allow them to operate from a business standpoint and at the same time keep them in control as far as the expenditure of public monies is concerned.

Q. Has the evolution run its course. A. There are a few things which I have mentioned to you. At the present time in some of the systems the renewal funds are equal to their working capital. For the sake of safety I think when they use working capital that there ought not to be power to put them into fixed extensions, they ought to be put into Ontario bonds or Dominion bonds.

TO COMMISSIONER HARRIS:

Q. Do you include sinking fund? A. No, because sinking funds are paid right over to the Province.

Q. They have not done that altogether? A. I think they are not very much in arrear. Taking the sinking fund again up to this point the Act says the sinking fund is to be paid over to the Province but if they get a sinking fund from the Ontario Power Company there is no provision in the Act to pay that over to the Government.

Q. Is it paid over, as a matter of fact? A. They are investing it to pay it over. Take the Ontario Power Company, the Act requires that the sinking fund shall be established for repayment of advances by the Government, the guaranteeing of the bonds is not an advance, consequently there is no requirement in the Act that a sinking fund should be set aside to meet the purchase price of undertakings where bonds have been issued by the Commission and guaranteed by the Province. I discussed that with the Commission a year ago and they agreed that in the Ontario Power Company they would put up this sinking fund so as to bring them into line with the Hydro idea and then go to the Government and ask that the Act be changed to meet it.

Take the Thorold System, there is no requirement on them to put up sinking fund, yet they have done it up to the extent of a large amount of money; there is no requirement on them to pay that over to the Government.

Q. The Central Ontario renewal fund has all gone into capital? A. That is a horse of a different colour.

Q. Do you see any objection to that? A. Not a bit, it is owned wholly by the Government.

Q. If the renewal had not gone into that the Government would have had to advance that much more money? A. Yes, what is the use of investing that renewal fund in bonds. I think that is perfectly proper, but I do not in connection with the Niagara System. I think it is

perfectly proper to use renewal funds for their working capital but I do not think it is proper to invest funds in fixed assets, when you might need them for renewal purposes some day in the future, and the Commissions agrees with that. I think as you get along there will always be things to be dealt with from time to time and there are several this year.

Q. The Government pays over money for specific purposes to the Commission; does the Commission itself keep close enough tab on it to assure itself that the monies are applied for the purpose for which they are voted and if it does not, should not it do something of that kind?

A. The whole matter of asking for appropriations by the Commission and the voting of grants by the Legislature was dealt with in a very easy lax fashion in the beginning. First of all they just asked for so much for Hydro, did not say why or what it was for.

Q. The Commission would ask for so much? A. Yes and the Government would vote that, then the next thing that happened, they started to vote so much for pole lines and this or that, which was also somewhat lax. Then they tightened up a little bit and began to vote so much for this system and that system and the other and then the point came where we felt that Hydro was dealing with these appropriations entirely too generally. They would get a million dollars for one system and spend \$1,250,000 and ask for \$500,000 and perhaps spend \$100,000. We began to tighten up on that and that tightening up came entirely from the Commission

and ourselves, there was no Government intervention and no discussion. Then we got on further and we began to line up the expenditures with the appropriations and at the present time I think the Commission are doing all they can possibly do, and doing very well in keeping in line with these things. I do not think they could do any more so far as the request for appropriations is concerned. The Government is now getting very much more detail information. and I think as detailed as they can give it to them.

TO COMMISSIONER J.A.ROSS:

A. After the big expenditures are over? A. After the Chippawa is over.

Q. After the business is closed? A. I do not know, if you eliminated the Chippawa and the Nipigon, which are two special matters, and where the expenditures were made specifically for the Chippawa and the Nipigon, I do not know that the expenditures in the last few years have been extra=ordinary.

TO COMMISSIONER R.A.ROSS:

Q. An appropriation is granted by the Government to Hydro of a million dollars for a specific purpose, for Central Ontario or for the Ontario Power Company, at the end of the Government's fiscal years does that appropriation that is unexpended lapse and have to be revoted? A. Yes.

Q. When it is for capital expenditure? A. Yes, it lapses.

TO THE CHAIRMAN:

Q. If it has been paid over in the meantime and not spent is it paid back to the Government? A. Yes, I will tell you the procedure. The Government discussed that

matter with me some time ago and I said to them, "If you feel that you want to keep closer control of this situation-

Q. That is the Government? A. Yes,"But Mr. Pierdon"

Supposing on the Niagara System they have authority to spend two and a half million dollars and they get \$250,000 in one month and then perhaps in another month they will want another payment, I said it was very easy for Mr. Pierdon to give the Government a statement showing approximately how the \$250,000 had been expended, and why they were asking for so much more and they could keep on that way and be in pretty fair touch with the situation; as much in touch as possible. Then at the end of the year they would draw what money they think would be necessary to cover their expenditures in the last month and then when they have got their final figures, if they are overdrawn they pay it back to the Government.

TO COMMISSIONER R.A.ROSS:

Q. They cover their commitments as well as their actual expenditures? A. Yes.

Q. When is it paid over? A. As soon as they can close their books, I do not think they can do any more than they are doing.

MR. PIERDON: We have not paid over for this year yet.

MR. CLARKSON: The interruption of this Commission has thrown them over several months.

MR. PIERDON: Our books run several weeks after the government books close. Our commitments for that year keep coming into the books and we have to borrow enough in advance.

Q. Is the fiscal year of the Government the same as the fiscal year of the Hydro? A. Yes, but they close definitely at 12 o'clock the 31st of October and we carry on six weeks longer.

TO COMMISSIONER HARRIS:

Q. In the case of the Ontario Power Company the Hydro decided to add these new units of about 40,000 h.p. and estimates were made by the Hydro providing for the new pipe line and the generator station and estimated additions to the plant were about \$1,700,000 but the actual cost was about \$3,500,000. What procedure was taken in the first place to get the \$1,700,000?

A. That whole Ontario third pipe line situation was dealt with in a somewhat irregular manner, there were no estimates asked at the time for the third pipe line.

TO COMMISSIONER HANEY:

Q. From the Government? A. From the Government; then the next question that arose in my mind was as to whether the Commission was authorized to loan money to a company like the Ontario Power Company, but the Act was so defective in the method prescribed for bying a power company like that, and as the Government knew what was being done and it was for that purpose that the monies were diverted from the Central Ontario System, the Government knew it and it was in war time.

TO COMMISSIONER HARRIS:

Q. This war time excuse is getting rather thread bare?

A. You mean as far as cost goes?

TO COMMISSIONER HANEY:

Q. Did the Hydro know when they made application for

\$1,700,000 for the Central Ontario System that they would not require that in the Central Ontario System? A. I cannot say that, the facts will have to speak for themselves.

MR. PIERDON: These estimates are prepared about eighteen months before the work begins, there is one prepared for 1923 and was voted on eighteen months in advance.

MR. GUILFOYLE: That \$1,700,000 was not in one amount, it was an accumulation over four years.

THE CHAIRMAN: The work was all done in what time?

MR. GUILFOYLE: The funds that came out of Central Ontario came out during four years.

COMMISSIONER R.A. ROSS: That \$1,700,000 was drawn at different times?

MR. GUILFOYLE: It was monies actually drawn for Central Ontario during these four years.

Q. It had accumulated out of appropriations and was cash in the bank? A. Yes, and drawn out from the Government.

Q. Was that a matter where the vote should be returned at the end of the year? A. They did not at that time.

What I say to you, Mr. Ross, is that we have been arguing with the Hydro on this matter for the last three or four years.

TO THE CHAIRMAN:

Q. What you have said is applicable to conditions now?

A. Yes.

COMMISSIONER HARRIS: Is not that a case where the Hydro borrowed money from another Government Department? This is a worse case than the radials, they go to work and borrow money that was voted for the Central Ontario System,

and which was not owned by the Hydro at all but was owned by the Province.

MR. CLARKSON: I do not think it is worse.

Q. It is just as bad and I would say it was a little worse?

A. No, I do not think it is worse because they have the means within the Power Act to pay that back, and have paid it back.

Q. That does not excuse them? A. You are saying it is worse; the difficulty in the radial situation is that there are no means of paying back.

Q. Why should not one Government department borrow money from another Government Department, if that could be done?

A. I am not excusing what has been done but I am saying I do not think borrowing from Central Ontario is as serious a thing as borrowing for radial purposes, because the money that was borrowed from Central Ontario was expended in connection with the Niagara System on capital expenditure and it has since been repaid.

Q. Why should not they go to the Public Works Department and borrow money from them? A. I am answering your question, you said borrowing from Central Ontario was worse than borrowing for the radials and I do not think it is.

COMMISSIONER HARRIS: We do not agree on that, because the radials did have some connection with Hydro power.

THE CHAIRMAN: No, they did not have any connection at all.

COMMISSIONER HARRIS: It would naturally be assumed it had but it was totally unjustified? A. I think the relations of the Central Ontario Power is closer to the

power system than the radials are to the power system.

THE CHAIRMAN: There is no connection between the radials and the power system, except they are both managed by the same Commission? A. That is my opinion.

COMMISSIONER J.A.ROSS: They are not the same kind of business? A. No.

COMMISSIONER HARRIS: The Central Ontario System was farther removed than the radials because they were operating, not only power plants and power distribution systems, but gas plants and water works and pulp mills and saw mills and other things.

MR. CLARKSON: No, I feel that the operation of the Central Ontario System was more closely allied with the operation of these systems in their purchase and management and administration, than the radial is.

COMMISSIONER HANEY: And their hopes for the future that the Central Ontario System would become part of the Hydro System? A. Yes.

COMMISSIONER HARRIS: That was the hope for the future in connection with the radials? A. Not to become part of the Power Act.

TO THE CHAIRMAN:

Q. You have spoken of the close way in which Mr. Pierdon looks after the matters? A. Yes, I say to you it has been a matter of evolution and the tightening up of this situation was not brought forward at once.

Q. In a certain sense Hydro is a Department of the Government. In this building there are a number of different departments, Public Works, Agriculture and so on, but it

is not left to any Department in this building to determine whether their money is spent correctly, there is a central audit office that has to sanction every expenditure before it is made and the auditor keeps control over all expenditures of all these departments. Mr. Pierdon's position on the Hydro is much the same as an accountant might be in one of these Departments but it is left to him to determine how the money is spent. There is no corresponding control by the Government over Hydro. Should not there be someone acting directly for the Government that would keep track of the application of these monies that have been voted.

MR. CLARKSON: I will tell you the way I feel about it, if you have a Commission appointed to manage this thing, which is a business undertaking, the management of the Government is not a business undertaking, they are two entirely different things.

Q. Is not building good roads a business undertaking?

A. No, it is a Government expenditure, it is not the operation of a business; this is the operation of a business. You appoint a Commission and you have got to have one thing or the other: you have either to have confidence in that Commission to spend the monies properly, or you are without confidence in the Commission. I think to put a Government Controller in that office down there, while it might work to a certain extent, on the other hand it might just serve to knock things endways.

Q. I am not suggesting it? A. My own opinion is you have got to depend on your Commission.

Q. Was not there provision made at one time for a Controller?

A. There was, the Commission might appoint a Controller.

TO COMMISSIONER JA.ROSS:

A. It might have been a good thing in the past? A. No, I do not think so. How would you like your own business controlled by somebody from the outside?

Q. It might be a good thing? A. I do not think you would like it.

THE CHAIRMAN: Take the Public Works Department, they might prefer to have it all in their own hands. It does not show any lack of confidence in them that the Government have an auditor who looks after the expenditures.

TO COMMISSIONER R.A.ROSS:

Q. Are the relations of the Government to the Hydro more the relations of a banker to a client than anything else? A. Yes, sir, they are.

A. It is not a Department of the Government because all employees of the Government are appointed and they are usually spending Departments, it is usually a matter of spending money for service; whereas this is spending money for an operating proposition. If they are in the relation of a banker to a business and if the business can present to the banker a statement of what he wants to use the money for, is not that what is usually done?

THE CHAIRMAN: I know in Toronto bankers look very closely where an application is made for the loan of money and sometimes they put a man in the business to represent them to see that the money is properly expended?

A. Only when the business is going to pieces. The way I feel about it is that it is more fundamental. You either

trust your Commission or don't trust your Commission.

COMMISSIONER J.A.ROSS: They are managers of the business.

COMMISSIONER HARRIS: In a private business a banker does not look at it at all in that way. I quite agree that you cannot have too much meddling and interference in any business, otherwise you are apt to get into a chaotic condition but this Government represents all the people? A. I quite agree with you, it is a hybrid undertaking, the expenditure of public monies by a commercial undertaking.

Q. No private corporation could go to a group of bankers and say, "We want \$15,000,000 or \$20,000,000 for a certain purpose." The bankers would have to find that money and they would first of all appoint their own engineers to go in and report whether it was a sound proposition. The difference with the Hydro is that they go to the Government and say, "We want \$5,000,000 for a certain proposition". The Government does not scan their proposition and send out their engineers to report on the Feasibility of it, they just hand over the money?

A. Of course I have said, and I think I said in 1920, that in connection with this enterprise of the Hydro, I do think that the Government ought to have an understanding of these things before they vote large amounts of money. The Commission is appointed and the control of that Commission is in the hands of the Government. The Government can retain it or dismiss it and I suppose it won't retain a Commission that it has not confidence in.

Even though it has confidence in it, I consider it un-business-like to advance two, three, five or ten million dollars without knowing a great deal about these things and discussing them and arguing them out and finding out what they are going to do. That is what I have said and I think that time has come. I do not think it will work out properly if you put a Controller in there. I think it is more fundamental than that, you either trust your Commission to act within the confines of this Act or you don't trust them; if you don't trust them, get rid of them.

TO COMMISSIONER R.A.ROSS;

Q. I have been arguing this banker situation for a long time and I do not find much sympathy. It seems to me the municipalities bound themselves together in a partnership in which each had its own understanding, it went to this banker Government and said, "We want an appropriation for various things". The Government said, "If you will put up not only your property but your bonds to secure the capital, we will lend it to you"? A. That is only on the radials, they put up their contract on the power.

Q. They put up their property first as security and the Government can recoup itself out of the property of the Hydro? A. The Government has a lien; take the Niagara System, Hydro has a lien on that whole property, first to protect the Government and secondly the municipalities have signed contracts to buy power at cost and that cost includes interest and sinking fund. It is a covenant to pay a rental sufficient to return the capital loaned by the Government.

Q. Speaking of the necessity or ~~an~~ otherwise of the Government having a representative that would check over these different outlays and see that they were expended properly; take a matter that ~~came~~ up recently, there was a campaign carried on by Hydro the latter part of this last year to promote the passage of certain by-laws in Hamilton, Toronto and intermediate points. The Commission, I understand, went to the Commission and said, "We desire you to make an appropriation and allow us to spend so much money on this" and the application was refused. Notwithstanding that I understand, and Mr. Gaby and Mr. Pierdon will correct me, the Commission went on and sent out men and spent thousands of dollars?

MR. GABY: I want to correct the first part of your statement; my information is this: in connection with that proposition, in October we prepared a statement which was forwarded to the Government asking for a special warrant to carry on this campaign. The matter was discussed with the Premier by Sir Adam Beck on several occasions, and was taken up at Commission meetings and presented to the Government that we should have the money before the First of October. I was present in the room, I think on the 30th or 31st October, when Sir Adam Beck was talking to the Parliament Buildings. After his conversation he informed me that the order-in-council; whatever was necessary, was approved of for the monies we were to spend. Now we had no information otherwise until the 1st November or the 31st October. We had no information except what Sir Adam Beck told me then that the matter was approved

of, and we were authorized to go on and spend money, we went on.

Q. You got notice from them? A. We did not. The only thing I had was the telephone communication of Sir Adam I was in the room when he had the talk with the Parliament Buildings.

COMMISSIONER HANEY: I suppose Sir Adam will tell the conversation? A. The only intimation I had.

THE CHAIRMAN: I do not think we should hear hearsay evidence from you? A. I am telling you what I know I was in the room when the conversation was taking place with somebody at the Parliament Buildings.

Q. You do not know what the conversation was? A. No, I was instructed at the time everything was O.K. and satisfactory and to go on.

Q. I would suggest that Sir Adam Beck tell us what the conversation was? A. The next time ^{it} ~~was~~ brought to my attention was at a Commission meeting at which Col.Carmichael ~~was~~ present representing the Government at which a letter was presented, that was 11th December, nearly six weeks later, in which we were advised that the order-in-council had not gone through and the matter was discussed, at the Commission meeting. It was pointed out to Col.Carmichael by Sir Adam Beck what had taken place and Col.Carmichael undertook to take the matter up with the Government and see them in connection with it; the next intimation was on the 20th December and that is the last I knew of the matter.

Q. As a matter of fact the Government gave no order-in-council and passed no authority whatever to ~~expend~~ this

money; there might have been a conversation but that is a different matter; the expenditure was incurred, what do the bills amount to Mr. Pierdon?

MR. GABY: The expenditures were \$7,000 to \$8,000.

MR. PIERDON: The bills run close to \$11,000.

Q. Are there any more to come in? A. Not expenditures.

Q. We have paid expenditures to approximately \$7,500 and I guess there are \$3,500 or \$3,600 of bills unpaid. We ceased paying when we learned the Government had not passed the appropriation.

Q. Are there any bills that have not come in yet that you know anything about? A. Not that I know of.

Q. Are you satisfied that \$11,000 will cover the whole expenditure? A. I think that will cover more than all. I was under the impression that the Government had passed some appropriation; I understood it to be \$10,000 or \$11,000, I did not know exactly which and in making the settlement of the \$8,000 we used \$50,000 left in our hands of the appropriation on radial work for last year.

Q. Have you paid any of these bills? A. Yes, I think about \$7,700 or \$7,800.

Q. There is a case where the Government refused to authorise it, there was some conversation took place but no order-in-council was ever passed and it would seem that expenditure is wholly illegal. If a Government official had been there and if he had to pass these accounts I fancy he would have refused to pass them without having authority from the Government and yet Mr. Pierdon puts them all through.

MR. PIERDON: No, the Commission passed the accounts.

Q. And you paid them? A. Yes, on the understanding.

Q. A Government auditor would not do that without having authority from the Government. There is a case where thousands of dollars - not a very large sum as Hydro expenditures go - but \$11,000 have been paid out not only without any authority from the Government but in the face of the direction of the Government that they would not sanction the expenditure, that seems to me to be an expenditure that an official of the class I have mentioned would not have permitted.

MR. CLARKSON: That is perfectly true, sir, but I would state to you that my opinion is that if you put a Government Controller down there you will interfere with the operation of this Hydro to an extent that it will do a lot of damage and harm. I am opposed to it, I have considered it and thought it over. In connection with that you will see from our reports from year to year I have had to question this expenditure and that expenditure.

Q. Did any discussion take place with you about this expenditure for the radial campaign? A. No.

Q. When these bills come before you will you pass them?

A. No, we will question them, we will state the fact that they have been paid and without authority - just as I have done year after year.

Q. You will say they paid them without authority?

A. We have to, it is the fact as far as we can see, we would probably state in the report just what the Commission says about it.

Q. Is not there something wrong in the machinery that money can be paid out in that way without any authority and with the direct statement of the Government that there is no order-in-council and none will be passed?

MR. GABY: Just one minute - Sir Adam said he had the assurance of the Premier.

Q. It is only when it is passed that it becomes effective and we will be glad to hear Sir Adam as to what took place. I think it would be better to get direct information from him rather than what you have heard about it. There is a case where this money was paid out without authority and you have to state it was spent that way after it has been spent? A. It is fundamental, as I said before, you are either prepared to trust the expenditures made by this Commission or you are not.

MR. GUILFOYLE: All three members of the Commission are appointed by the Lieutenant-Governor-in-Council, they are all three Government representatives.

Q. Did the full Commission by resolution sanction the payment out of these monies?

MR. GABY: Col. Carmichael and Sir Adam Beck were both there.

Q. They passed a resolution? A. They discussed the matter.

Q. The minutes³ will show that? A. I do not know.

Q. The minutes will have to speak because that is the only thing that counts; it is not an informal discussion but what the minutes say, will you let us

see the minutes?

MR. PIERDON: Yes.

Q. What authority did you have to issue cheques?

A. In so far as I am concerned, I went on the information I received from the Chief Engineer and the Chairman, that the Premier of the Province had authorized the expenditure of approximately \$10,000 or \$11,000 and we had these funds and we have used them.

Q. Mr. Gaby says you got word that the Government would not sanction it at all? A. That was sometime after this \$7,700 had been paid out. Then we ceased paying when the Government informed us they would not pass any order.

Q. When did you pay these monies out? A. I could not say off hand.

Q. Is it customary for you to pay out monies on reports of conversations which have taken place? A. I am under the authority of the Commission, I cannot hold up any account.

Q. That is exactly the point, you are under the direct authority of the Commission; you are under their control, they can dismiss you at any time they please? A. Yes.

Q. The existence of your office rests with them and if the Hydro Commission tells you to do a certain thing you do it? A. Yes, naturally.

Q. The commitments were made prior to the time the accounts reached the Audit Department? A. In matters of expenditure the Chief Engineer leaves it to the Commission and me to find out if there is any funds on hand to meet these expenditures and it is properly controlled.

These were expenditures under the new section of the Act that gives us power when appropriations are exhausted.

Q. What section was that? A. 24B, June 1920.

Q. This has nothing to do with the Power Commission Act, is there anything in the Radial Act that authorizes you to do it? A. I do not know of anything particularly.

MR. GABY: Previous to that we had \$18,000 from the issuing of guaranteed bonds on the road between Port Credit and St. Catharines.

MR. CLARKSON: I recognize the situation.

THE CHAIRMAN: Mr. Pierdon says he pays these monies out whenever instructed by the Chairman or Chief Engineer.

MR. CLARKSON: Does not the objection come back to the Commission itself? If the Commission instructs a junior officer to pay out money in a way that is not properly authorized, it rests with the Government if it is not satisfied with the Commission to discharge it and put somebody in that they are satisfied with. I say to you as a matter of practical business, in the operation of this Commission, I do not approve of the appointment of a Controller.

Q. Supposing the Commission paid every year a sum of money to Mr. Hannigan who carries on these different campaigns? A. They pay the Municipal Association about \$4,000.

Q. Do they pay any expenses in addition? A. No.

Q. Do they pay any expenses in addition, Mr. Pierdon?

MR. GABY: Last year it was just a small amount.

Q. Is this a legal expenditure?

MR. CLARKSON: They contend they have the right to do it, there is a question about it. I do not see eye to eye in the matter with them and I have reported year by year. I do not know whether it has ever been discussed between the Government and the Commission.

Q. The auditor in the Parliament Buildings is not appointed by the Government and cannot be dismissed by the Government, he is appointed by the Legislature? A. Oh, yes.

Q. Mr. Pierdon does not now go into the legality of the payments, he pays according to instructions, should not there be someone there who would have an independent standing?

MR. GUILFOYLE: You would then have two representative bodies, both appointed by the Government.

THE CHAIRMAN: In this building there is an auditor who is not appointed by the Government and he passes on every account that is paid.

MR. GUILFOYLE: Half the business of this Commission deals with the handling of money, three-quarters of which relates to operating and that money does not come from the Government. They pay out millions of dollars that has nothing to do with the Government money.

MR. PIERDON: We paid out nearly ten million dollars last year.

THE CHAIRMAN: The same principle would apply. Mr. Pierdon is subject to dismissal at any time by the Commission.

MR. CLARKSON: The Government appoint the three members of the Commission and they control everything,

why should they appoint a junior under them. I look at it purely from a business standpoint.

THE CHAIRMAN: You are referring to expenditures year after year which you say are illegal but you are too late.

MR. CLARKSON: Yes, it is after it is done.

COMMISSIONER J.A.ROSS: You may have in mind some remedy; you say you are against a Controller being appointed by the Government and that the thing is more fundamental, just what have you in mind?

MR. CLARKSON: If you have a business and you appoint one or two or three men to manage this business and they do something without authority you have two courses to follow: either to agree with what they have done and allow them to continue or to dismiss them. The Government is in control of this Commission, it appoints the three heads of that Commission and they have absolute control over its operation and funds and everything else. If the Government has confidence in the Commission why should they try to put in a number of juniors underneath them to watch them?

TO COMMISSIONER J.A.ROSS:

Q. There appears to be all through a lack of living with the proposition. A lack on the part of the Government of knowing what is going on? A. I agree with you there.

Q. I have two courses open if one of my Department Heads falls down on me; I can recognize his acts or I can dismiss him, yet as his superior officer I should have a

pretty intimate knowledge of what he is doing and I should keep tab on what he is doing from time to time so that he cannot go too far away from what I desire him to do. I have either got to dismiss him or condone his act? A. What has happened here is first of all there was the diversion of the Central Ontario funds. I reported that diversion before it amounted to very much, it was \$100,000. Then when it became a little larger and a little larger the Government knew of it and did not deem it necessary to take any action and I assumed they were probably content with what was being done.

On this radial expenditure we reported that one year and the next year and the next year,, and said they were without authority using these funds which should not be applied for that purpose and nothing is done, nothing is said about it and no objection. Now, we assume it is a matter of Government policy. They appoint the Commission, there are two reports in and if they want to do something why not do it?

Q. You think, then, that you, as auditor, and the three Commissioners as appointees of the Government are a sufficient tie between the Hydro-Electric Power Commission and the Premier and the Government? A. I think the Commission is the tie.

Q. You do not think any additional system of the working plant or personnel is necessary? A. I am afraid that if you take a man from this building and put him into the Hydro and say the Hydro is not to pass anything unless he thinks it is absolutely right and there are many

million dollars passed through that office month after month; what is going to happen?

MR. GUILFOYLE: In the Niagara System alone for operating purposes \$4,000,000 was spent in 1921, covered by revenue. That is only one system and that expenditure had nothing to do with Government appropriations.

MR. PIERDON: \$39,000,000 changed hands last year, \$10,000,000 of that from revenue.

MR. CLARKSON: I think if you put a Controller in there it will do far more harm than good.

COMMISSIONER J.A.ROSS: I am trying to run down what you have in your mind as to the remedy.

MR. CLARKSON: What I have in my mind is this: When a report comes in year after year stating what has been done, I think it is up to the Government to get down to an understanding with the Commission as to what the Commission is going to do. They have expended money that they should not have expended and they should be asked if they are going to continue doing that or whether they will quit doing it.

Q. If they don't quit? A. Then the Government has its remedy.

Q. In other words it is purely a question in your mind of the Commission and the Government getting on together?

A. I do not think there is proper contact between the Government and the Commission.

TO COMMISSIONER HANEY:

Q. Who is to blame for that? A. I do not know.

TO THE CHAIRMAN:

Q. What would you suggest to bring about proper contact?

A. In any business the management would expect that when any important matter comes up it should be discussed and they should be told what is being done and then they can talk backwards and forwards and get some understanding but nothing of that kind is done here to any great extent. I think in 1920 when I reported I said to the Government I did not consider there was proper contact between the Government and the Commission.

Q. You think what you said then is applicable to conditions now? A. I do and I do not think there is a proper understanding. We report year after year and year after year. We go through an enormous amount of work. Our auditing is very critical. We have no audit in our office that is so critical as this and I have always felt it was very well done and it comes up and I never hear any more about it. I do not think what we say in there is valued or made any use of.

Q. Do you have any conferences with the Government?

A. I have had conferences with the Government.

Q. Joint conferences? A. No, sir.

Q. That would seem to be the proper thing to do?

A. I think it is a question of contact, and an understanding on the part of the Government of this situation that has a great deal to do with it.

TO COMMISSIONER J.A.ROSS:

Q. Lack of co-operation? A. Lack of co-operation and lack of understanding. if

Q. If you were the General Manager of a business and you had a Department Head under you and you instructed

him to do something, would you expect him to come to you or you come to him to find out whether that something had been done? A. I would expect as a matter of discipline for him to come to me but as a matter of practical business I think it would jog backwards and forwards without a line drawn as to who should do it.

Q. It is equal? A. Yes.

Q. It is up to the General Manager as one of his duties to get after that Department Head and see that he does his duty and it is up to the Department Head to do the job and tell the G.M. about it? A. Keep the G.M. in contact with the business.

TO COMMISSIONER R.A.ROSS:

Q. I have been listening to you with a great deal of interest because I have been firmly convinced that a Controller is necessary and I think perhaps the reason of that is this: If this were a Company such as the Street Railway, the Controller would be the officer of the Directors, they would use him as their method of knowing what was going on in the concern.

If, on the other hand, the company was financed by bankers such as I conceive the Government to be in this case, they would appoint such a man you speak of to keep them in touch and he would be appointed with the consent of both parties? A. That is my view absolutely. There is another view I have about it, it is this: the Government appoint the Commission, would not it stultify the Commission to have somebody appointed to watch them.

TO THE CHAIRMAN:

Q. Why any more than the Government appointment of an auditor, it does not show lack of confidence in the Department because they appoint an auditor to check their accounts? A. Mr. Gregory, it is different with the Hydro, he merely gets money from the Government and spends it for construction and if it ended there I would say it would be all right to put your Controller in, but the Hydro is doing a business and I can see what would happen to the poor devil who is in there as a Controller, with all these things piling up month after month; who could he go to to ask about it? He would go to the Commission and if he is in doubt he would stop the payment and then the thing would be dammed up.

TO COMMISSIONER J.A. ROSS:

Q. The difference being that Hydro is a very big business?

A. It is an enormous business.

Q. Whereas any other Government Department is only a business to a certain extent? A. It is a spending Department, it is not a business Department.

TO THE CHAIRMAN:

Q. Take the Department that builds roads, is not it just as much a business as the business of building a railway or a power line? A. That is expending money on a capital investment. I have not thought out this Controller business but I have had it before me for sometime. When that change was made in the Act it was discussed with me and it has been discussed two or three times and I gave it to you as my considered opinion that I am absolutely opposed to it.

Q. It does not seem to me that because it is a very big business that that is any reason why there should not be a close check kept over the expenditures?

A. Let me put it to you in this way: There are no accounts that I know of that are better kept than Hydro. Their expenditures are checked and rechecked and we have never found any money lost. The accounts are checked and rechecked and they are critically examined. The difficulty comes in this: The Commission gives instructions qua-commission, or somebody at the head of the Commission gives instructions to incur a liability and it is incurred, that is where the danger comes. If they incur a liability and then don't pay where are you at?

Q. You have got to pay it? A. It is not the payment it is the incurring of a liability without authority, that does not rest with the Controller, he won't be able to stop that.

TO COMMISSIONER J.A.ROSS:

Q. He would prevent payment? A. The trouble does not arise with the payment.

Q. If they knew the payment would not be made ~~they~~ would take care not to make expenditures and they would have to pay them out of their own pocket? A. It is limited to these few things.

TO COMMISSIONER R.A.ROSS:

Q. If you have a Controller who shall sign cheques, would you be in very much better condition than you are today? A. No.

Q. If he did sign the cheques he would have to sign them for every single voucher that came in? A. Yes, sir.

TO THE CHAIRMAN:

Q. The Auditor in the Parliament Buildings does not sign a cheque unless he finds the expenditure has been duly authorized and the Controller before signing a cheque would have to know that the expenditure was authorized? A. They have a Department there now that checks all these accounts. If you put a Controller in you just simply shove that Department to its own room and you would not get any more than an isolated service of one man. What I say to you, having regard to the fact that these liabilities are incurred from the head of the Commission, that is where the difficulty occurs.

Q. I suppose what the Controller would do would be what you are doing now only he would do it before the expenditure was made instead of after? A. That is perfectly all right and doing it before instead of after he would stop these expenditures and the question is in stopping these expenditures would he not stop something else? I am afraid he would do more damage than good.

TO COMMISSIONER R.A.ROSS:

Q. Supposing he was a Controller appointed by the Government to see that monies were not expended?

A. He would not have any more check than you have at the present time, unless he actually signed the cheques because the expenditure might be made through the Commission on their order just as they are today and he would only know of it when the money was paid.

Q. He would have no control over it? A. No, the expenditures would be made and the cheques made out and he would have no record of that until it was reported to him, so that unless he actually signed the cheques himself and put them down in regular order and said, "Your appropriation is exceeded" he would have no means of checking
TO COMMISSIONER HANEY:

Q. Do you mean he would sign all the cheques from the Government to the Hydro? A. No, it is not a question of monies received, it is a question of disbursing them, he would have to sign all outgoing cheques.

THE CHAIRMAN: There are many payments of money that is not received from the Government.

MR. GUILFOYLE: You could not distinguish between them.

THE CHAIRMAN: I do not think he could, he would have to sign everything.

MR. PIERDON: Capital expenditures and operating expenditures are mixed.

COMMISSIONER HARRIS: I do not think they should be.

MR. CLARKSON: How would you get at it. Supposing he had one account for operating and another account for capital expenditure and you said the Controller did not have to deal with the operating accounts, then if they incurred a liability like this one referred to they would put it down to operating account and there would be no way of knowing about it until it was all over. The point I want to make is this: What are you complaining about? You are complaining about the expenditure of the Power

Commission funds on radials.

COMMISSIONER HARRIS: That is one.

MR. CLARKSON: What else?

COMMISSIONER HARRIS: Of course a Controller should not be appointed by the Government to go into the Hydro offices and have supreme control over all their operating expenditures, that is a different proposition altogether. What we have in mind is that the Hydro Commission should be kept in close touch with the Government.

MR. CLARKSON: You have that now, I think it is as close as you can get it.

COMMISSIONER R.A.ROSS: Supposing the Government said to Mr.Pierdon "We want a monthly statement from you".

MR.CLARKSON: I understand they are doing that; I had a discussion with the Treaurer about a year ago and I said to him, "Mr.Smith if you want, before you pay any monies to the Hydro, to know that they are not overdrawing on any appropriation, ask them for a monthly statement" and he said, "I will get that". I went to the Hydro and I spoke to Mr.Pierdon or somebody about it and I said, "The Government might ask you for a monthly statement, can you give it?" and they said, "Certainly". Now, then, they are right together.

THE CHAIRMAN: Did you give it.

MR. PIERDON: We did not give them a statement of the detailed expenditure, they have never made an application for it. We have to draw money in advance of the actual requirements, there may be commitments and I do not know what they are until they reach me.

I have to keep sufficient money on hand six weeks in advance to meet these expenditures. What we try to do is to keep our cash expenditures paid out under these appropriations and find out weekly how we stand and if we over-run we have authority to get more. If we have not quite sufficient we draw more from the Government.

MR. CLARKSON: You must not forget that the \$4,000,000 have been spent on Chippawa out of appropriations for other systems; that is in our reports year by year. I do not think it amounts to very much because it just amounts to augmentating the Chippawa appropriations.

Q. Was it paid back? A. No. There seems to be some misapprehension on the part of the people up here. Where the Hydro asked for an appropriation of a million dollars for Central Ontario they might only need \$100,000. They come up month after month and draw money against that appropriation until they have the whole thing drawn out and then do not need it and I discussed it with Mr. Smith and I said, "You can get monthly statements which will show you fairly accurately what has been spent on the Central Ontario System and what money they are entitled to draw against that appropriation."

MR. PIERDON: They have never made application for that.

COMMISSIONER R.A. ROSS: As far as cash is concerned he can tell but as far as commitments are concerned he cannot.

MR. CLARKSON: At the end of the year he has a 13th bill, if you like, and then returns the balance to the Government.

MR. PIERDON: There is an appropriation made by the Government in last years legislation for the 1923 estimates that was prepared by Mr. Gaby, I do not know what knowledge he had in preparing it. If we want to carry on any work we cannot spend the money until the Commission passes it. If the Government don't pass the subsequent appropriations I would spend money on this and then square it up at the end of the year. That appropriation was prepared 18 months ago. We cannot keep track of it every month, there is the general overhead has got to be distributed against every working order and there is thousands of them each month and we have to get the exact cash expenditure on every work order.

COMMISSIONER HANEY: Is there any time in the year when your appropriations become exhausted?

MR. PIERDON: Yes, sir, it might happen any moment and this Section 24 B says that where appropriations are made by the Legislature for any work of the Commission and become exhausted in any fiscal year and the Chairman reports that to be the case and it is expedient that the work shall be carried on and if an additional sum is required for the purpose, the Lieutenant-Governor-in-Council may order a special warrant to be prepared and we have ^{had} that carried out since 1920.

COMMISSIONER HANEY: In Ottawa the end of their year is the 1st of March.

MR. CLARKSON: The end of the year terminates appropriations.

COMMISSIONER HANEY: They have thirty days after the end of the year to adjust their accounts.

MR. PIERDON: We have not got that opportunity here.

MR. CLARKSON: On this 13th bill they size up the situation and ask for so much additional appropriation, a little more than they think they need.

COMMISSIONER HANEY: By order-in-council or warrant, after the end of the year they can use the money?
A. Any time within the year, if they voted that last year and it becomes exhausted we can get it under that section, any time within the year we can use that section.

MR. GABY: We can put our estimates in nearly two years ahead.

MR. PIERDON: The estimates for '23 went through nearly three months ago.

THE CHAIRMAN: Why cannot you advance your work a little so that your staff, when on this audit, could make a pre-audit, as it were, and sign cheques as they go on?

MR. CLARKSON: No, sir; I say again it is not the cheque that is the difficulty it is the incurring of the liability by members of the Commission.

COMMISSIONER HANEY: The policy of the Commission itself? A. Yes, sir.

COMMISSIONER R.A. ROSS: In other words you are an undertaker? A. I have been called that.

Q. The responsibility for doing the work rests at headquarters? A. Rests at headquarters.

COMMISSIONER J.A. ROSS: I have given some thought to this the last few months and the proposition of a Controller don't appeal to me as getting at the heart of

the thing. As you stated this morning it is more fundamental, it is lack of co-operation between the Commission and the Government. How are you going to remedy that? There is only one thing to remedy it and that is putting a man on that Commission who can grasp these facts. I do not think that if Mr. Pierdon rendered monthly statements to the Treasurer of Ontario he would know much about it. Anyway the whole thing is over when that statement gets to him. If a man like our eminent engineer, Mr. R.A. Ross, was a member of that Commission and could sit in with the Government and act for the Government of Ontario as Mr. Gaby does for the Commission, I can see where there would be an understanding of the particular points all along the line and they could get together. It appears to me that it is lack of understanding on the part of the Government that is responsible for the lack of co-operation; they do not know what is going on.

COMMISSIONER R.A. ROSS: The other Ross is not looking for a Government job.

COMMISSIONER J.A. ROSS: I understand that and perhaps it is theoretical because of that but it appeals to me that that is the remedy. There should be a man on that Commission who is sufficiently intelligent technically to explain to the Government just what is going on before the act has taken place.

THE CHAIRMAN: You think they should have a man with professional knowledge on the Commission?

COMMISSIONER J.A. ROSS: In the last ten months my respect for engineers has grown. I believe him to be a business man in addition to being a technical man and

that is what you want, a business man who is an engineer.

MR. CLARKSON: You want a closer understanding, is that the way to get it?

COMMISSIONER HANEY: I do not think that would get you any place.

COMMISSIONER HARRIS: Mr. Clarkson has pointed out all these difficulties and report on them all the time but he did not get any action.

MR. CLARKSON: Here is a concern spending a large amount of money and unless there is a very complete understanding before they embark on a big expenditure there ought to be somebody who knows this thing from one end to the other.

COMMISSIONER HARRIS: There are two big departments: one an operating department and the other a spending department and that is spending in the way of new construction; that is coming up constantly in every business that is growing. Now the operating end is all right, it is being handled efficiently, but it is the other end that is the cause of the trouble.

MR. CLARKSON: That is what I have always said, that is the end that causes the trouble and that is the end about which there has been the least common knowledge.

COMMISSIONER HARRIS: That is the thing that is most important to get right, so that the confidence of the people can be retained in the whole proposition.

MR. CLARKSON: I have gone further than that, I think there ought to be somebody there who knows the

whole thing. I have been the intermediary to a very great extent and I have discussed these things and I have said I will come up and go over this thing with you and explain what it means and I have done all I could as an intermediary to bring things together but we can only go when we are asked.

Q. Is not one of the weaknesses of the whole situation the fact that the Commissioners change so frequently and it takes a long time for a Commissioner to pick up and grasp the whole situation?

COMMISSIONER J.A.ROSS: He never does.

MR. CLARKSON: Take our last audit and how long would it take a man to grasp it?

COMMISSIONER HARRIS: It is really a life's business and any man sitting on that Commission should devote his whole time to it and keep a thorough grasp of the whole undertaking.

COMMISSIONER J.A.ROSS: I don't see how he could do that unless he had engineering knowledge.

COMMISSIONER HARRIS: He needs very practical business experience because the two things are combined here.

MR. PIERSON: What is the complaint at the present time?

THE CHAIRMAN: I have not heard any complaint.

MR. CLARKSON: It has been a matter of evolution, the basis they are on now is a pretty fair one. The Government ought to be able to get any information they want, anything that is not disclosed to them they can ask for it. The point of complaint is this expenditure

is outside of your power.

MR. PIERDON: That is the \$10,000.

COMMISSIONER HARRIS: That is one item.

THE CHAIRMAN: We had a million dollars yesterday.

MR. PIERDON: Nothing prior to the inclusion of that section.

COMMISSIONER HARRIS: The difficulty at the present time is, and I say this by way of criticism but not unfriendly criticism, because I am one of the men in this country who think that the Hydro is a great undertaking and we cannot sit here and try to destroy Hydro, that would be the most foolish thing in the world -- no group of men would do that.

MR. PIERDON: No, we are all working for the light.

COMMISSIONER HARRIS: It has grown so large and is of so much importance that any group of men that sat down to try and destroy Hydro should be run out of the country.

MR. PIERDON: It is a question of evolution. If you were to look at our first monies appropriated by the Government, back in 1913, 14, 15 and 16, you would not recognize them. You would see there items for insulators and poles and all sorts of things and gradually the Government evolved out a scheme until we got to the condition that we are in now.

COMMISSIONER HARRIS: I remember the early days when a few municipalities got together and it was a simple proposition. The Hydro Commission made a very

favorable contract with the Ontario Power Company and built transmission lines to give power to certain municipalities. There were no difficulties in the situation at that time, but the thing grew and grew until the point came when Hydro found it was necessary to develop power and do all sorts of things. My only criticism is that they have not been as frank with the people as they should have been. I think if they had shown a little more frankness that probably none of these difficulties would have arisen. The Government found itself in the position that although they started off with a guarantee of a few million dollars worth of bonds, now they have got a thousand times that amount. Two or three million dollars does not seem a very large appropriation, but when demands come in for over thirty million dollars in one year, the Government want to know where they are getting off at and that is what the people of Ontario are getting anxious about.

MR. PIERDON: I would like to suggest that Clarkson, Gordon and Dilworth report gives full information each year of every transaction.

COMMISSIONER HARRIS: How many people read it?

MR. PIERDON: If they do not read it they look it over and it is there for them to read.

COMMISSIONER HARRIS: All they read is the stuff they see in the newspapers.

COMMISSIONER R.A.ROSS: You cannot inform the public, it is absolutely impossible.

COMMISSIONER HARRIS: We want to get into the

hands of the public just what this whole thing means. If a business man was interested in a thing like this he would scan the auditor's report very carefully each year, but the people do not do that and they have got to be taught just what it means.

MR. PIERDON: I made up a balance sheet and published it in every newspaper in the Niagara System and I asked several people if they noticed it and they said they had not noticed it.

Q. Once a year? A. Yes, it was quite a large sheet and quite plain.

Q. If you had run it for a week or two months they might see it?

MR. GABY: We cannot afford to do that.

COMMISSIONER J.A.ROSS: There comes up the point of needing money and of educating the people as to what you want the money for.

MR. PIERDON: If we had done that we would have been all right on this last little campaign.

THE CHAIRMAN: What do you do?

MR. PIERDON: We send to each municipality connected with the system a copy of our annual report, that is the only information they really have.

Q. Don't you publish information in the papers from time to time? A. We have no money for that.

Q. Have not you got an Information Bureau? A. No.

Q. Articles are written and sent to the newspapers, who prepares them?

MR. GABY: Do you mean these little skits?

MR. PIERDON: I prepare these, I just give the figures and somebody writes them up.

Q. Who writes them up? A. I think Mr. White.

Q. How are they sent out to the papers? A. I do not know just how he does it, Mr. Middleton signs these things. He just does them occasionally for the Department.

Q. Who is he? A. J. E. Middleton, he was a reporter at one time.

Q. He is not in your Department? A. No.

Q. Has he an office in the City? A. He has an office in the City.

COMMISSIONER HARRIS: He is not the man that got into such prominence some years ago and finally got landed in gaol? A. No.

MR. GABY: In addition to the very detailed report of our operations that we send out annually, we also send out a monthly bulletin in which we try to explain what is going on in connection with the Commission's operations. The municipalities pay for the little bulletin which goes to each customer, showing the operations of the Commission, general news and what is being carried on. In addition to that we have twenty or thirty engineers who are always available to explain these things to the municipalities. Any municipality that wants any information can have an engineer to explain things to them. They go to the Council and discuss matters with them and explain the reports of the Commission. Then we have our staff of auditors who go around and explain matters to the officials of

the various Commissions.

Q. Do they see that the accounts are kept properly.

MR. GABY: Yes, and they explain the operations of the system and give them information as to what we charge and so forth.

TO COMMISSIONER J.A.ROSS:

Q. Does that get to the general public? A. These monthly bulletin is a little fly leaf of four pages and that goes into every municipality on the system. Two hundred thousand are printed and they are paid for by the municipalities; they pay us a cent or a little over for these bulletins and these bulletins explain the operation of the Hydro and give general information in connection with Hydro operation.

MR. CLARKSON: Take a report like that on the Niagara System and a copy of that will be sent to a town that has a contract and you will find that the local Commission go into that report, and watch their own figures, so much so that if we were to withdraw any lines in that report they would want to know why it was taken out but the public do not understand these things.

COMMISSIONER HARRIS: The local Commissioners in the various municipalities are tremendously interested and they feel their responsibility and they may study this thing out and analyse it. I quite agree that nothing must be done to bring the Government into such a position that they would try to put a man in there to overrule the men who have got to run their own business.

MR. CLARKSON: What I say again is this: that before they embark into any large scheme there should be a thorough discussion and a thorough understanding. The Commission can give the Government month by month what their expenditures are.

COMMISSIONER HARRIS: The Government don't know what it is to make money and they don't know what to do with money when they do make any. In fact, in my experience when I was trying to make some money for the Government they said, "What will we do with it after we make it?" They have not got any place to put it.

MR. PIERDON: I would like to explain what we did at the end of last year, 31st October. As I said before, the Government close their appropriations or they lapse on the 31st day of October. We must have money to carry on for the next six weeks or two months. I had a statement endeavoring to show our total commitments up to a certain point and I drew a considerable sum of money on our last year's appropriations. We have plenty in the bank and I know now at the present day that we do not want all we have drawn. We are using these funds until we close our books and then we will return it. That is a little bit out of the proper operation of that Act but I think it is good practice and it saves us interest.

COMMISSIONER J.A. ROSS: Would not an engineer on your Board be a very great help to the Government as a tie. Take a Trust Company where they have a Real Estate Department, for example. On that Board of

Directors of that Trust Company they will have a man who has had a lot of experience as a Real Estate man. He will be a Director and he will review the acts of the Real Estate Department, in other words they get perfect co-ordination. With an engineer who had a broad business experience appointed by the Government as a Commissioner, he could tie directly up to the Government and tell them exactly what is going on. They would probably have competition and argument but he would be able to press the case for the Government in a satisfactory way.

MR. GABY: I would not like to answer that but there is no doubt about it that a man with technical experience would be a help but he might have to have legal experience as well because legal questions come up before the Commission as well as engineering questions. If he had legal experience he would be able to deal with problems and convey his opinion to the Government. If a man is an engineer and a business man he will understand engineering very much better than the man who has not had business experience. Of course there is no doubt that if a Commissioner was an engineer he would understand engineering matters much better and would be able to explain it to the Government. All things that are brought before the Commission are explained in detail in reports and given to the Government and they know what the operations are and the Government know the general policy and what is going on.

THE CHAIRMAN: One of the members of the Commission must be a member of the Government, two may be but one

must be.

COMMISSIONER J.A.ROSS: There is a lack of co-operation and if they had an engineer he could give them technical information.

MR. GABY: That information is always available and if they desire to discuss it more fully the engineering staff of the Commission is always available to assist them, I do not think it is absolutely necessary that a man should be an engineer in order to be a Commissioner.

COMMISSIONER R.A.ROSS: Getting down to brass tacks and calling a spade a spade, without fear of the Government or anybody else, the situation here is in the hands of the Government, if there is any lack of continuity it is the Government's fault, that is about the size of it. They have full authority and it seems to me they have more authority than they should have in the appointment of these Commissioners because as a matter of fact the risks are all taken by the community for the benefit of the community and if the Government is acting as a banker I do not know why they should have the appointment of all the Commissioners. They have power to make them link up as they like with the Hydro and make Hydro do exactly what they want.

THE CHAIRMAN: If the Commission goes into a municipality at the request of the municipality and makes a preliminary survey the Government bears the cost of the work and pays the bill, large sums are paid out in that way every year.

MR. PIERDON: Last year there was about \$16,000.

Q. Would that be less or more than the average amount?

A. It is becoming less each year because there are less number of municipalities to be connected.

Q. What is there to show that all the amounts charged up to that account are for preliminary surveys made for the municipalities according to resolution of council?

MR. CLARKSON: We give you the details right there in our report to a few dollars. We give the municipalities and the amount spent in each one.

Q. How do you know it is spent for the purposes provided for in the Act? A. The vouchers indicate it is for that purpose.

Q. I am asking you because that matter came up at Cornwall when we found the expense the Commission was put to in sending men down there to oppose and carry on a campaign against a local bylaw? A. I think you have got altogether a too limited idea of what the Government have to pay. It is not limited.

---Reads Act.

Q. Would that cover anything the Commission might do, leaving it to its judgment? A. Absolute judgment.

Q. In the case of Cornwall it took part in fighting a local by-law? A. I claim absolutely it would come under section six, there was a system operated by Hydro.

Q. Hydro has no system in Cornwall? A. The St. Lawrence System, they believed it in their best judgment to be in the interest of that system and under the terms of that Act the expenditure is chargeable in that way, you see the tenor of the act how wide it is.

THE CHAIRMAN: The Legislature makes no special appropriation for this purpose, it is just a general appropriation.

MR. CLARKSON: It makes a general appropriation.

TO COMMISSIONER J.A.ROSS:

Q. If Mr.Gaby decided it was necessary to spend \$15,000 in the promotion of Hydro, putting it in some community, he could go and get a special warrant from the Government? A. He could not go and get a special warrant but if it had been voted.

Q. For that specific purpose?

MR. GABY: We have first to get a resolution of the municipality.

THE CHAIRMAN: But you did not get any resolution at all.

MR. CLARKSON: I go further than Mr.Gaby; if they want to establish a power plant at Cochrane and they had monies in this general fund of \$20,000 or \$30,000 and they went up there and spent it without resolution I think that section of the Act is broad enough to cover it.

TO THE CHAIRMAN:

Q. In the Cornwall case the Commission decided they would send the men down there and carry on the campaign and you think under that section they are quite justified in paying the expenses out of this fund voted by the Legislature? A. I say they are justified in expending money for the system, whether they will charge it against this fund or not I do not know.

I think if they did charge it against that fund they are within their rights but I do think in the operation of these systems they try to allocate these expenditures as far as possible.

Q. The people down there suggest that they were supporters of Hydro, that the Government were spending millions of dollars every year and they did not think the funds should be used for the purpose of carrying on a campaign where the one part of the community was against the other?

A. There is the Act.

Q. I question where it was intended it should go as far as that? A. That was our view of it.

Q. I am speaking of this special fund, it was charged up to this Government fund? A. I think they are absolutely within their powers under that section.

TO COMMISSIONER J.A.ROSS:

Q. I do not see why Hydro should not have the same right as a private concern to do pioneer work as long as it has regard to power development business, the only point is does it come under the Act? A. It does, the thought that has been running through my mind is this: if they make an investigation within the confines of the Niagara System I would say, as a matter of business, it was perfectly proper to charge these expenditures against the Niagara System as part of the cost of administration or advertising or anything else. They have the power to charge that against the Government but now the first period is over and they are settled and established and I have several times thought they

might relieve the Government of that cost and charge it to the systems that would be benefited by their work. I can understand in the beginning that the Government wanted to start this thing up.

COMMISSIONER HARRIS: They have gone into the municipalities that were already being supplied with power from a private system and in many instances they have tried to break down existing systems that people have put money into and that seems hardly fair.

MR. CLARKSON: I have heard of that; engineering assistance to non-operating municipalities.

THE CHAIRMAN: The municipalities did not ask for it.

MR. CLARKSON: I will tell you how far I think that section goes, I think they can absolutely bring it into line.

COMMISSIONER J.A.ROSS: You would not change the Act, would you?

MR. CLARKSON: The only thing I have had in my mind for some time is that if in connection with the St. Lawrence System they go down there and look into the possibilities of supplying power to some municipality and spend \$100 to \$150, I have sometimes wondered if it would not be fair to charge that to the St. Lawrence System instead of to the Government.

MR. GABY: There are municipalities asking for information that would not be in that district and where it would be impossible from a business standpoint to supply them, still we have to carry out the Act and

give the information and that has to be charged to the Government.

COMMISSIONER J.A.ROSS: I do not see why it is not as reasonable to charge a thing like that to the system, even if it is to keep the municipality out of the system, if it is going to be a bad thing for the system to let that municipality in.

MR. GABY: It is not a matter of keeping them out, the Act provides that if they ask for an estimate we must give them an estimate of what it would cost them and we have to go into the whole thing in detail. We are required by the Legislature to give this information whether we think it is in the interest of the system or not.

MR. CLARKSON: We are approaching the time on the Niagara System where the renewal fund is in excess of the working capital and when they get to that point my idea is that any excess of these renewal funds should be invested in securities and they should not be placed into extensions.

Q. Is that in regard to Niagara? A. In every system.

MR. PIERDON: And it has been done for the last year.

MR. CLARKSON: I would do it in every system when that point is reached.

THE CHAIRMAN: Is there anything more Mr. Clarkson?

MR. CLARKSON: There is only one point I want to make with regard to this \$700,000 on the Toronto-St. Catharines. You will recognize the situation there, the attitude I took was that there was, strictly speaking, no legal authority to use these funds. I am entirely unable to

discuss with you what the understanding or relationships were between the Hydro Commission itself and the Government or whether there was any understanding on the part of the Government that this would be done or any acquiescence. Mr. Lucas says there is another side to it; I may be wrong, but I feel that I am right.

ARTHUR HAWKES.

TO THE CHAIRMAN:

Q. I have a letter from you stating that you would like to be heard before the Commission in connection with the matters it is investigating and we have decided to give you an opportunity to be heard? A. I am much obliged to the Commission for its kindness. Before I say anything further will you tell me if I am right in what I understand to be the pivot on which this inquiry is turning. If I understand rightly the Government, in the Spring of 1921, asked the Hydro if they would give to them as complete an estimate of the total cost of the Chippawa Canal when completed as possible. When that estimate was furnished it was about Fifty-eight million. I think the Government believed that would cover the whole of the construction and made financial provision for that and then to its surprise, in August of that year, they were faced with a demand for Ten million more. They caused certain inquiries to be made as to the good faith with which the estimate was presented in 1921. It was then that this present investigation came, accompanied as it was, by the resignation of

ColCarmichael who stated either verbally or in writing that the course which the Commission took in regard to this information was wrong.

THE CHAIRMAN: We have no information whatever as to what consideration moved the Government in appointing the Commission, all we know is what is in the Royal Patent appointing us and the grounds are not stated, it is an inquiry under the Public Inquiries Act to inquire into matters relating to the Queenston-Chippawa Canal and generally as to the expenditures in connection with the Hydro Commission. That is all I know about it.

MR. HAWKES: I will proceed on the assumption that what I have heard the Prime Minister himself say publicly and what took place in the Legislature is correct.

THE CHAIRMAN: I understand what you want to say is pertinent to our inquiry?

MR. HAWKES: It seems to me the public interest would be served by calling attention to certain things that are mainly of public official record and some other matters that bear upon this which I think are very pertinent.

Q. If you wish to go into matters that do not come within the scope of our Commission we will let you know? A. In view of the somewhat prolonged study which I had to give to this whole matter will you allow me to say that it seems to me that a great deal of what is being said is the mere beating of the air because of vital matters that underly and overhang this inquiry that don't seem to be touched in the way in which I think the public interest would demand.

I am going to put up to you what has happened in connection with this Hydro Electric Power Commission and its administration has been, in effect, the overthrow of responsible Government in this Province by the erection of a political power which has demonstrated the Hydro, as far as its relation to the public ~~has~~ concerned, has been an autocracy such as we have never had since the Stuarts. It has overthrown responsible government. I has been carried on with a mendacity calculated and persistent in every way. I am prepared to prove that, Mr. Chairman, and it will be for anybody who objects, to deal with the evidence I submit to the Commission on its merits. I have said there has been established an autocracy in this Province which has overthrown responsible Government. It has paralysed three Provinces, it has resulted in levying upon this Province of demands for monies for which within the principles of responsible Government there was no excuse whatever and in violation of every vital principle which we believe to underly our whole system of Government. This matter is not entirely a matter of the business administration of the buying and selling of power. If it were the Government of this Province and the Lieutenant-Governor-in-Council and the Legislature would have not so much to do with it as they now have. The way in which the Hydro Commission has continued, or I should say has been so opposed to the vital principles of our Government, and there were evidences, against responsible Government, during the war, that the autocracy that has been set up has been and is today, in its operation, more flagrant than the autocracy of the Kings of the Stuart period, if anyone will take the trouble to look it up.

MR. LUCAS: The Commission have met, as I understand it, to hear certain evidence and you are asking a number of the officers to remain. While Mr. Hawkes always makes an interest^{ing}/speech, I do submit, to this Board this is not the time or place for making inflammatory speeches against Hydro.

THE CHAIRMAN: And the Stuarts.

MR. LUCAS: Including the Stuarts. Perhaps the Board would be good enough to relieve the members of the Commission.

THE CHAIRMAN: I would not insist on members of the Commission remaining here if they do not wish to.

MR. HAWKES: I understand that what I say is being taken down in writing and can be used in evidence against me afterwards.

THE CHAIRMAN: I think it would be well for you to take up the facts first and then point to your conclusions afterwards; perhaps this is just by way of an introduction of the facts, I do not think we should be too rigid.

MR. LUCAS: Just one other question; perhaps Mr. Hawkes would be good enough to say whom he represents and under whose instructions he is appearing before the Commission?

THE CHAIRMAN: He said he was representing himself, just coming here as a citizen.

MR. LUCAS: He says in his letter different to that.

THE CHAIRMAN: He says he has certain facts he wishes to lay before us and asks us to give him an

opportunity to be heard.

MR. LUCAS: I thought perhaps he represented somebody and I would like him to state who it is.

MR. HAWKES: When I spoke to you with regard to this matter you will remember I said, "As an ordinary citizen who is interested in this matter, who thought he might be able to render a service."

THE CHAIRMAN: I had no idea you were representing anybody.

MR. HAWKES: I am not representing anybody except the truth. I think it is pertinent to show to the Commission the respect in which the Hydro Commission; I make no bones about it, and when I say the Hydro Commission I mean Sir Adam Beck, I do not make any bones about that at all, that it is supposed to be above the law.

THE CHAIRMAN: In what respect.

MR. HAWKES: During 1916 there was certain litigation between the Hydro Electric Power Commission and the Toronto Electric Development Company and on the 4th September, 1916, in that suit during the argument, Mr. Justice Middleton, as reported in the press of that day, said to Mr. Hellmuth, who was representing the Hydro Electric Power Commission and who was no doubt speaking on instructions, Mr. Justice Middleton said, "Mr. Hellmuth, you say the Hydro Commission is not an outlaw but above the law?" and Mr. Hellmuth said, "Quite so".

It is pertinent, I think, to this inquiry to call attention of the Commission to what has been done

with regard to the authority of the King's Court in this Province because when you come to such questions as have been discussed here with Mr. Clarkson, the expenditure of money for authorized purposes, you were touching the very heart and core of this question as to whether any public body shall spend money against the law and if it is true that this body which undertakes to spend money with regard to which its own auditor says it has no legal authority, and he says persists in doing it year after year, it is very pertinent to inquire whether that body has for a long time been accustomed to interfere with the ordinary processes of the law, and that has been the case with regard to the Hydro Electric Power Commission going back a good many years.

If you have the Power Commission Acts before you, not simply as given in the R.S.O of 1918, but the acts as they have been passed, you will see this: That in the act of 1909 in sections 4, 5 and 8, it is clear from that Act of 1909 that difficulties had already arisen with regard to the overriding of the law by the Hydro Electric Power Commission. My authority for this I am prepared to give, that when the municipalities made contracts with the Hydro Electric Power Commission, the Commission without saying "By your leave" or "Damn your soul" went to the Legislature and got this kind of legislation put through.

THE CHAIRMAN: The Legislature is not under compulsion to pass it? A. I was going to say, if the former Attorney-General had not interrupted me, that not

only was I going to bring certain facts before you but I was going to be bold enough to suggest something that this Commission might do and do speedily and that would be to go to the Legislature while it is in Session and point out to the Legislature what it has done and what it should do to recover its self-respect and the respect of the people in regard to responsible Government. I may have something to say about the Legislature later on.

The City Council of Galt, or the Town Council as it then was, refused to sign a contract -

MR. GABY: That is not correct, the Town Council passed it and the Mayor refused to sign.

MR. HAWKES: That may be. Section 4 was passed stating "That said contract if so varied as aforesaid shall be treated and deemed to have been executed by the Corporation of the Town of Galt". That is things are to be deemed to be done that have never been done.

MR. GABY: That was for the purpose of carrying out what the Council desired.

MR. HAWKES: Then under section 8 something more is done.

THE CHAIRMAN: Might not that be beneficial legislation?

MR. HAWKES: It may be beneficial legislation.

THE CHAIRMAN: Take the case up at Cobalt where the Government came in and declared what the law had always been about a certain lake that was in litigation.

MR. HAWKES: I would not discuss a question of that sort with a lawyer of your eminence and I am not saying whether this was beneficent or not, the point I am

making is that this Hydro Electric Power Commission in its infancy got the habit of setting aside contracts, and setting aside the law and anyone who looks over the legislation during the last dozen years will be struck by the way in which things have been done.

THE CHAIRMAN: This was an unusual undertaking. It was to a large extent one in which the general public were interested, it was the setting on foot of a great business establishment or development and there were certain interests that were opposed to it and they might have harrassed it and bothered it and tied it up and might it not be quite proper for the Legislature to stand by it and protect it and to say, "We are not going to have a public undertaking obstructed"?

MR. HAWKES: I quite agree with that. I am endeavoring to present to the Commission a body of facts drawn from official documents, the effect of which, one way or another, will be accumulative and I am just leading up to something else.

COMMISSIONER J.A.ROSS: Are you opposed to public ownership of power rights in this Province? A. No, sir.

Q. Are you opposed to Hydro Electric Development? A. No.

Q. You think it is a good thing? A. Certainly, more than that since you have asked that question, not until I began to see what an iniquitous procedure it became by virtue of the Hydro Electric Power Commission; I remember in the 1904 election when I was supporting Mr. Rowell I took the trouble to state publicly that if Mr. Rowell won the election I hoped he would continue

Sir Adam Beck in the Government as representing the Hydro Electric Power Commission. That was my view and I have always been and am strongly a public ownership man but I do not believe in the ownership of the public by an autocratic Commission or an autocratic individual.

THE CHAIRMAN: When you compared the Commission to the Stuarts I thought possibly you were going to lead up to the same fate as the Stuarts had.

MR. HAWKES: I should have if the ex-Attorney-General had not tried to put the ax into my saying any more.

Q. Your criticism you think is constructive, you want to reform rather than destroy? A. If you want the end instead of the beginning, Mr. Chairman, the only way in which to reform this body is to reform it in the way in which a man advised another man to improve his neighbor's dog. One said to cut two inches off the dog's tail and this man said "Cut his tail off two inches behind his ears and then you will have it done properly".

The original act of 1907 in section 20 deals with the audit of the finances of this body that is being created. I heard Mr. Clarkson say yesterday that he thought prior to his coming in as auditor Mr. Clancy was taking some notice of the Commission and the Act states that the Commission's accounts should be audited exactly as the accounts of a Government Department are audited.

Q. Did Mr. Clancy audit them in that way? A. I was going to call attention to what Mr. Clancy said about his attempt to carry out the audit and I have his report for 1914 and 1915 and this is what he says, "It has been found

impossible to complete or make any progress approaching completeness of the audit of the expenditures of the Commission for each year or any of the fiscal years, 1909,10,11, 12, 13 and 14. "

MR. PIERDON: I was there at the time Mr.Clancy was there and he never once opened a book of the Commission, he refused to do so point-blank. There was only once we could get Mr.Clancy in our office and he spent half an hour looking over the cash book. He contended to make a complete audit he would have to go over the Vouchers and he wanted the transfer of our vouchers to the building and he never made any headway.

MR. HAWKES: It would be better if I were not interrupted.

THE CHAIRMAN: I think you should not be interrupted until you get through with the particular subject you are referring to, but it is better for us that if there is anything to be said by Mr.Pierdon that he should mention it at the time.

MR. HAWKES: I will quote from Mr.Clancy's report and leave it to the Commission to decide on what he thought, according to Mr.Clancy the Commission acted contrary to the provisions of section 22 of the act and that is a defiance of the law which kings have to obey in a country where democracy, as we understand it in Toronto, pertains, and as it does not pertain in a country like Germany. Then he goes on to say the total advances made by the Province to the Commission for the fiscal years 1909 to 1915 inclusive amount to \$13,169,000 and the total expenditures so far as has been ascertained,

amount of \$17,369.620.55, showing an excess expenditure over the amount authorized to be advance from the Province or otherwise, of \$4,190,620.55. There you have Mr.Clancy making a charge against the Hydro Electric Power Commission the very same charge in substance that Mr.Clarkson makes here and has been making for years.

MR.LUCAS: That is quite wrong and can be explained.

MR. HAWKES: That is the statement of the Provincial Auditor who was almost as good a man as Mr.Clarkson and that is from the annual statement rendered by the Commission to the Provincial Treasurer from the years 1909 to 1915 inclusive.

A You will find Mr.Clarkson in 1923 disclosing to this Commission, in spite of this, and in spite of what I shall say to you, you will find Mr.Clarkson in 1923 coming and disclosing what he calls "unauthorized expenditures."

May I digress a moment with the suggestion that something should be done between now and after lunch with regard to these unauthorized expenditures on the purchase of right of way between Toronto and Port Credit and between Port Credit and St.Catharines. Sir William Hearst admitted the letter which was said to authorise Hydro to go ahead with the purchase of right of way on these lines in the prospect of their acts being validated in the ensuing session, such validation to take the form of authority to municipalities, between and including Toronto and Port Credit, to disassociate that section of the line that had been voted upon from Toronto to London by way of Port Credit and tie that

section in with the Toronto-St. Catharines. Mr. Gaby said - I am sorry he is not here - that following the change in Government an effort was made to obtain from the present Treasurer a letter authorizing a certain financial arrangement in connection with which there was a loan of a million dollars from the Bank of Montreal, bonds of \$11,000,000 being put up as collateral, the Provincial Treasurer refused that letter. The former Attorney-General, who was in the Government with Sir William Hearst and a former Hydro Commissioner, now what do we see, he says he thought there was some kind of authority given by the Government of which he was a member. This fact was not stated to this Commission and it ought to have been stated, that the expenditure to which Mr. Clarkson called attention, in the report, which I am sorry has not yet been published, to expenditures on the purchase of right of way which were made to the tune of hundreds of thousands of dollars as contained in Mr. Clarkson's report of 1920.

MR. CLARKSON: No.

MR. PIERDON: No, we never paid \$5 for a piece of right of way for radial construction subsequent to May or June of 1920. Expenditures upon right of way were made at least two years prior to that time.

THE CHAIRMAN: I thought there were purchases made later than that.

MR. PIERDON: The question was placed before the Government the other day and I looked the matter up and I found there was nothing paid subsequent to the time that the

notified
Premier us to make no more expenditures.

MR. HAWKES: I may have misheard Mr. Clarkson but I certainly understood from what he was saying that purchases were made.

THE CHAIRMAN: He says so now.

MR. CLARKSON: We could get the report.

MR. HAWKES: We have to be very careful in dealing with any statement coming from the officers of the Hydro and I should like to know whether any was paid or any obligation entered into subsequent to the time when the Premier inhibited expenditures for radial railways and may I state also that it will be pertinent for the Commission to inquire closely as to the extent of these expenditures.

THE CHAIRMAN: What is the date of the Premier's letter?

MR. PIERDON: I believe it was sometime in 1920.

MR. GUILFOYLE: Our report reads for 1921 payment for balances owing on right of way purchases in 1920, \$13,000.

MR. HAWKES: Very diligent inquiry should be made with regard to this matter for another reason, I am talking now from memory but I am quite sure documentary evidence can be produced; after the Sutherland Commission commenced its work information was put in writing in this City and in this building to the effect and it was reported to the writer of this document, which I think can be produced, ^{or} a copy of which should be produced, that the Hydro Electric Power Commission was buying right of way after the Sutherland Commission was in existence

and after the Prime Minister had directed that no further financial responsibility should be incurred.

THE CHAIRMAN: That will be a matter of record and Mr. Pierdon will look it up. Do you know, Mr. Lucas?

MR. LUCAS: No, I do not.

MR. HAWKES: Then Mr. Clancy makes this statement in this report and Mr. Clancy has touched what I venture to say is vital to the whole matter and if it had been dealt with this Commission would never have been heard of and the condition disclosed would have been dealt with by a Government who were not paralysed. "Two distinct causes with their attendant results lie at the bottom of the present conditions of things. One the absence of even the semblance of legislative control over the expenditures of the Commission - in striking contrast with the complete legislative control over the expenditures of the Executive Departments. The other, the seeming defiant disobedience of the Act creating the Commission with their powers and duties." Is it not plain that this Commission has had a large amount of its time occupied with proofs of the defiant disobedience of every Act that has been passed for the proper regulation of this disobedient and stiff-necked body. Mr. Clancy's report created some stir and the whole matter was discussed at considerable length in the public accounts committee of the Legislature and I am going to ask you to listen to extracts from the report of the Public Accounts Committee and they are both of them on page 20 of the Public Accounts Committee report for April 19th, 1916.

THE CHAIRMAN: Is that a public document?

MR. HAWKES: Yes, sir, and I have a copy of it which I can leave with you.

---Extracts read.

I also have a shorthand report of a speech made in this City by Sir Adam Beck with regard to this very matter on the 28th November, 1918, to which I shall refer when I come to say something about Mr. Clarkson's report in regard to this matter. He said, "Mr. Clancy said we had no authority to do this" Mr. Clancy did not agree with him and therefore Mr. Clancy was wrong. At the meeting at which Sir Adam Beck was speaking the people were asked to pass a resolution. It was a meeting of the Hydro Electric Railway Association and The Ontario Municipal Association. He was speaking on the 28th November, 1918, to a joint meeting of these two associations at the City Hall, Toronto.

THE CHAIRMAN: The report of Mr. Clarkson was not made at that time?

MR. HAWKES: If this Commission will look at the evidence before the Gutherland Commission of Ex-Mayor Weaver of Hespeler given, I think, in February, 1921, they will find that Mr. Weaver put in as an Exhibit the agenda of that joint meeting of these two associations as evidence as to the fact that no copy of this report was available to the hundreds of representatives of municipalities who were asked to register opinions and objection was made to passing the resolution.

---Adjourned at 1:30 P.M. until 10:30 A.M. Tuesday next.

HYDRO ELECTRIC INQUIRY COMMISSION

PARLIAMENT BUILDINGS, TORONTO,

TUESDAY, 27th FEBRUARY, 1923

PRESENT:

W. D. GREGORY, Esq., Chairman
M. J. HANFY, Esq., Commissioner
LLOYD HARRIS, Esq., Commissioner
R. A. ROSS, Esq., Commissioner
J. A. ROSS, Esq., Commissioner

SIR ADAM BECK

F. A. GABY, Esq.

W. W. POPE, Esq.

R. T. JEFFERY, Esq.

T. C. JAMES, Esq.

Representing the Hydro
Electric Power Commission

RE EUGENIA SYSTEM

THE CHAIRMAN : Well, Mr. McLaughlin, I understand you wish to be heard this morning.

MR. THOMAS McLAUGHLIN : First of all, Mr. Chairman, I think it would be better if I were to give you a brief history of the Company.

Q--What Company ? A--The Georgian Bay Power Company, from which the Hydro Electric Power Commission took over the property at Eugenia Falls.

I have been advised by my Doctor not to speak much, so I have the data put in the form of a declaration, and, with your permission, my son will read the declaration.

Q--Do you want to read the declaration ? A--If you please.

THE CHAIRMAN : Mr. Jeffery, are you the one who understands this subject ?

MR. JEFFERY : Yes. Mr. Hogg, Mr. James and I are here.

MR. McLAUGHLIN, Jr. : I will read the declaration, Mr. Chairman:-

" In the matter of the Georgian Bay Power Company Limited.

I, Thomas McLaughlin, of the City of Toronto, in the County of York, Esq., do solemnly declare:-

1. That I am confined to my bed and under a Doctor's care and unable to appear in person to give evidence before the Gregory Commission."

MR. FERGUSON, Jr. : I might say, Mr. Chairman, that at the time this declaration was signed Mr. McLaughlin was in bed.

" 2. That I was the Secretary Treasurer of the Georgian Bay Power Company Limited, during its entire existence and have knowledge of all its affairs.

3. That the said Company acquired at Eugenia Falls and elsewhere on the Beaver River properties necessary for the development of power for which a total sum of over \$90,000.00 was paid.

4. That other property and legitimate outlays were made in the interest of the undertaking, including engineering, development, interest and other carrying charges over a number of years.

5. That in addition to Bonds issued to the amount of \$137,600.00, there were debts amounting to over \$15,000.00, bringing the total cost well above \$150,000.00

6. That the Company were financing their work by the sale of Bonds in a satisfactory way when the Hydro Act was passed in 1906.

7. That once the provisions of the Act became known, further financing was impossible, and work at Eugenia

"stopped.

8. That the Company were compelled to carry the property from 1906 until 1914 when the Hydro Commission took it over at the price of \$60,000.00, meaning a loss to the Bond holders of over \$90,000.00, over and above the interest on their money.

9. That I am personally acquainted with most of the Bond holders and know as a fact that the loss of so much money was a great hardship to them and that I am honestly of the opinion that they should be recouped by the Government for the loss sustained, for, to use the words of the late Mr. Cross, of Clarkson & Cross, 'The Government killed the undertaking'.

10. That the annexed statement marked exhibit "A" to this my declaration, is a fair and impartial summary of the history of the undertaking.

11. That at the time the Georgian Bay Power Company was wound up I was not a Bond holder, and did not receive any dividend on Bonds, nor shall I profit to the extent of a single dollar should the remaining money fairly due the Bond holders be paid.

And I make this solemn declaration conscientiously believing it to be true and knowing that it is of the same force and effect as if made under oath and by virtue of the Canada Evidence Act."

MR. FERGUSON, Jr. : This is exhibit "A" referred to in the declaration of Thomas McLaughlin :-

" On the reach of the River just above Eugenia Falls there were :-

(a) A lighting plant which supplied Eugenia and Flesherton.

(b) A Grist Mill.

(c) A veneer mill.

"(d) A saw mill.

(e) A sash and door factory.

They were small establishments, it is true, but all were in operation except the veneer mill and the owners were making comfortable livings out of them, and they supplied a local need as well.

With the single exception of the veneer mill, none of the owners wanted to sell out. After long, tedious negotiations, we acquired these different sections of the Power rights along the river paying fair value for them, and for other necessary stretches along the river where no plants had been established.

Our financing was well ahead of the demands upon our resources until the Hydro Act was passed. After that all attempts to raise money proved useless -- nobody not already interested in the project would put in money and try to oppose the Hydro. "Power at cost" was an appealing cry to the consumer and a "take warning" cry to the investor.

It is interesting to recall that the Hydro let contracts for two dams at Eugenia amounting to \$230,000. as reported in "The World" of June 17th, 1914 -- the same month the Bond holders were paid their miserable pittance.

Thus it appears that for at least a year previous it had been decided to take the properties; for such elaborate plans much time was required in the preparation and then further time in making agreements with contractors and others, leaving the Company to struggle along under the load for at least a year after the Hydro had decided to take the properties -- a load that was costing the Bond Holders about \$8,000 a year.

And in this connection it is a certainty that the Hydro paid one hundred cents on the dollar for the two

"dams and for the power house and the equipment. But the possessions of the Georgian Power Company, on which the whole undertaking was based, were taken at the Hydro's own price.

In 1910 the Company built a weir for measuring the floor of the river and for years the Hydro has been carrying on investigations of the property at a cost to the Bond holders of over \$30,000 for carrying charges. The Company were tied hand and foot. The Hydro would not take the property over and no one else would, knowing that if they built a plant the Hydro had authority under the Act to take it any time they say fit - at their own price."

THE CHAIRMAN : Where did they get the right to take it away at any time they pleased at their own price ?

MR. McLAUGHLIN Jr.: Under the act itself, they could decide on the value themselves and take it over at that price.

MR. JEFFERY : I might say, Mr. Chairman, that information is incorrect. There is no such provision in the Act.

THE CHAIRMAN : I would like you to show that, Mr. McLaughlin.

MR. JEFFERY : The Act provides for arbitration if it cannot be fixed by mutual arrangement.

MR. McLAUGHLIN jr. I believe that was a separate arrangement, Mr. Chairman.

THE CHAIRMAN : Just let us see that section, Mr. McLaughlin.

MR JEFFERY : Do you know the year of that amendment ?

MR. McLAUGHLIN Jr.: I will look it up, Mr. Chairman.

"An attempt has been made to ridicule the plan of development designed by H. von Schon, which consisted essentially of a dam at the site of the old veneer mill, a pipe line from the dam along the side of the river to

" near the crest of the falls, then through a tunnel through the mountain and down the north side of the gorge to the power house in the valley - a total length of pipe line of 3,500 feet, giving a total head of 414 feet, and an effective working head of 400 feet. Development according to these plans, and under von Schon's direction was under way; the tunnel, some 850 feet in length, had been driven and timbered, and other work, such as clearing property, carried on when the Hydro Act was passed.

"Who was von Schon?" He was the engineer who designed and supervised the building of the big power plant on the American^{side}/of the See, where 55,000 H.P. was developed at a cost of \$4,500,000.00. Our development would have provided enough power for Owen Sound and Collingwood and the smaller places along the way, and I verily believe at a price much lower than these towns are now paying. Was it not in September last that a deputation from Grey County waited on this Commission or on the Government asking to have the Eugenia system taken from under control of the Hydro Commission and placed under a local Commission in order to get relief from the present high and increasing rates ?

Von Schon's plan was one of conveying the water from the dam to the power house. Roberts and Abbott, Cleveland Engineers acting for an American syndicate, designed plans by which the water was taken over and through a canal through the top of the gorge and then through a pipe to the power house in the valley below. The site of the power house being further down stream than in von Schon's plan an additional head of about

" 100 feet was gained, making about 500 feet.

The Hydro development is along lines similar to those of Roberts and Abbott. This means that the property as developed by the Hydro has produced one-quarter more power than our development would have used. There is the same volume of water but one-quarter more head.

I wish to emphasize that I have no criticism to make regarding the ^{part} played by Mr. Pope, Mr. Gaby, Mr. Acres. They are the faithful and efficient servants of the system they are identified with."

THE CHAIRMAN : Where was the old veneer mill, was it in the village ?

MR. THOMAS McLAUGHLIN : A few rods up stream.

THE CHAIRMAN : Is that your statement, Mr. McLaughlin?

MR. THOMAS McLaughlin: Yes.

COMMISSIONER HANEY : What was the estimated cost of this power under the proposed development, do you know ?

A--I haven't got those figures here, but I know for a fact that the prices are lower than the towns up there are paying now.

THE CHAIRMAN : What was the cost of the development ?

A--You mean of the properties?

COMMISSIONER HANEY : No, the cost of this development as you proposed making under the report of this engineer from the Soo, what was to be the capital expenditure on your part.

A--His estimate is \$248,181.

Q--And you were to develop within 25% of the amount of power that is being developed by the Hydro, is that your statement ? A.--Yes.

THE CHAIRMAN : Q--How much power were you to develop ?

A--I believe it was 2500 H.P.

Q--2500 H.P.? A--2500 H.P., yes, but the fact remains

no matter what his plans would develop , the property was the basis for a development simply one-quarter less than, or one-fifth, what has been developed by the Hydro. There is the same volume of water and the other factor is the head. Our head was 400, Hydro's, I understand, is 500, a quarter more. Those are the two factors, just like the factors in a multiplication, the flow per cubic foot of water per second, and the head, multiplied, those are the two variable factors.

COMMISSIONER R. A. ROSS : Q--And you had all the water that they had. A--Yes, the water is the same.

THE CHAIRMAN:

Q--You had not the storage ? A--No, but we had the storage facilities.

MR. R. J. McLAUGHLIN : They purchased the land for it.

MR. THOMAS McLAUGHLIN : We do not claim that we had a power plant there, you understand; all we had was the basis of it, that is all we sold the Hydro, and mainly on the basis of what we sold them the development has taken place.

THE CHAIRMAN: Q--And what did it cost you altogether Mr. McLaughlin ? A--Around \$150,000.00.

Q--And your Bonds were ? A--135,600.

Q--And your debts made up the remainder.

A--Made up the difference.

MR. R. J. McLAUGHLIN : 2536 electrical horse-power on von Sahon's report.

MR. R. A. ROSS : That is twenty-four hour development.

MR. R. J. McLAUGHLIN : A--That is for ten hour service, at an estimated cost of \$68 per electrical H.P.

MR. THOMAS McLAUGHLIN: The capacity of the stream, under the 500 foot head, was afterwards demonstrated by the report of Roberts and Abbott, the Cleveland engineers referred to in my statement. They showed the possibility, I believe, of

4500 H.P.

THE CHAIRMAN : Q--How would you get along when the water was low in the stream ?

A--We were providing our storage.

Q--Yes, but you had not provided it, had you, at that time?

A--We hadn't done the actual construction, but we had the sites for the dams.

Q--Storage was a necessary part of that development, wasn't it ? A--It was, yes.

Q--How much would the storage have cost you ?

A--Roberts and Abbotts estimate is \$22,000 for the reservoir.

Q--Is that the price of the land ? A--No, we had secured the most of the land. It is included in our price

Q--Then your storage, I suppose, Mr. McLaughlin, was not intended to be as extensive as the storage that is there now.

A--No, but the point is, we had the water ^{rights}, and the fall would allow a 400 foot head, the essential things we had for storage, the land that they had bought for storage and utilized is, we will just call it, farm land and cheap farm land.

Q--What interest did you pay on your Bonds?

A--Six per cent.

Q--Was that regularly paid ? A--No.

Q--Why not ? A--We hadn't got money to pay it with.

Q--Were you earning anything from the sale of power ?

A--We had a small plant there that gave light to Flesherton and Eugenia, which just about carried itself.

Q--How did you develop that power?

A--It had been developed when we took it over.

Q--What was the extent of the development ? Had you got a pipe line? A--No, just a dam, a water wheel, and a flume, and a dynamo.

Q--How much power did you develop with it ?

A--I don't know, possibly 50 H.P. or something like that.

Q--Why didn't you go ahead a little faster with your development? A--Because we hadn't got the money, We were keeping ahead with the work all right when the Hydro came along.

Q--When did they appear on the scene ? A--The act was passed, I believe, in the spring of 1906.

Q--Yes, but when did the Hydro interest itself in Eugene?

A--Speaking from memory, later on that year.

Q--What in 1906? A--No, I am not sure about that, I haven't got the data here.

Q--When did you begin your developments?

A--In 1904. It was early in 1905 before any actual work was done.

Q--What was the first communication between yourself and the Hydro about your plant ? A--Well, again speaking entirely from memory, and that is some years ago, I believe I approached Mr. Acres, the Hydro Electric engineer.

Q --For what purpose ? A--For the purpose of taking it over, as we couldn't go any further.

Q--And what year, do you know ? A--I believe that was in 1906, or 1907. As far as that legal point is concerned, we were simply relying upon, as usual, the solicitors of the Company, and I think it was the prevailing impression that the ^{Vendors} had no price in the settling of the price.

Q--Well, the Act will speak for itself, Mr. McLaughlin. What passed between yourself and Mr. McLaughlin ?

A--I cannot undertake to give any details at all. That might have been in the year 1910.

Q--Well, you went to him for the purpose of getting the Hydro to buy you out ? A--That was the idea.

Q--And did he give you any encouragement ?

A--No, I will not undertake to give any details, because the matter is completely out of my memory, but, speaking in a general way, the most of the negotiations were carried on between Mr. Acres and myself.

Q--And you continued carrying on negotiations from that time ? A--From 1910.

Q--With the object of selling it to the Hydro ?

A--Yes.

Q--And what development work were you doing in the meantime?

A--Nothing. From 1906 , we ceased selling Bonds after this Act was passed.

Q--Well, had you been notified by the Hydro then that they intended to take that over? A--No.

Q--Why did you not go on with your development ?

A--They had made a report, without our taking part in it at all, their engineers, in the regular way of business, had reported on Eugenia Falls as a stream that they might possibly develop .

Q--And you thought then that they might possibly make a development and take your plan? A..If we had a means of doing it. We tried to interest capital in a large way, instead of selling to individual Bond holders, but once they realized the fact that this Hydro Act was in force, and what its provisions were, they dropped it.

Q--With whom did you negotiate other than Mr. Acres?

A--Among the Hydro? Q--Yes. A--Well, of course, I had conversations with Mr. Pope, and I believe with Mr. Gaby, and Mr. Hogg, the President of the Company, and I, met Sir Adam Beck in Owen Sound on one occasion, and took up the matter there with him, in a brief conversation. Nothing definite was done, in fact, nothing definite was actually arranged to take the property over.

Q--When was something definite done ? A--1914.

Q--What was done then ? A--They took over the property and paid us the price of \$60,000.

Q--Were there any negotiations ? A--Yes.

Q--Did they give you what you asked for it ? By the way, when you say Mr. Acres, and these other parties, did you mention what you wanted for the property ?

A--I have no doubt we did.

Q--What did you want for it at that time ?

A--\$150,000.

Q--That, you say, would have just cleared you ?

A--Just about.

MR. R. J. McLAUGHLIN: It would have, in the early days, but every year there ^{were} additional coupons coming in.

THE CHAIRMAN :

Q--Did they make more than one offer to you ?

MR. THOMAS McLAUGHLIN: There first offer was \$50,000, which was afterwards increased to \$60,000 which we accepted, we were so driven to the wall.

Q--How were you driven to the wall ? A--Pressing creditors, the debt accumulating, and no other possible buyer for it.

Q--Did you express your dissatisfaction with the \$60,000 ?

A--If Mr. Gaby is here, he probably will recall that I told him he had stolen it from us, and he said he hadn't.

Q--What reason did the Hydro give for not paying what it had cost you up to that time ? A--There were no reasons given.

Q--Did they claim the money had been unwisely expended, and that they would not get the benefit from it ?

A--There was no argument or discussion about it.

Q--When they offered you the price, which was much less than you thought you should have received, why didn't you say " We will arbitrate". The Act provides for arbitration?

A-- We all understood, whether we were right or not, that

there was no such thing.

Q--You had a lawyer who could have told you differently ?

A--He is here to speak for himself.

MR. R. J. McLAUGHLIN: They said, here, if you don't want to take \$60,000 we don't want the plant.

Q--Then you could have gone on with the development?

MR R. J. McLAUGHLIN: Every person understands that they could have brought Niagara power in there, and every person understands that when the Commission starts to operate it is absolutely impossible to get any private capital in your hands. We simply could not finance, and continue. The matter was gotten up in good faith for the purpose of supplying power to these Municipalities, and it was within a district that could be supplied with Niagara power, and , as I say, it was impossible to get the capital for a private enterprise in that district.

THE CHAIRMAN : They have never taken Niagara power up there ?

MR. R. J. McLAUGHLIN: No, but they have this Severn power. If they hadn't had this power I suppose Niagara power would have been brought in in opposition.

THE CHAIRMAN : Your clients did not want to enter into competition with the Hydro . They thought if they went on and developed that they would have to go on and compete with Hydro.

MR. THOMAS McLAUGHLIN: We could not get the market. Every newspaper in the country was opposing private ownership of power.

MR. R. J. McLAUGHLIN: Arrangements were made with Sir Frank Baillie.

MR. THOMAS McLAUGHLIN : He had property invested.

THE CHAIRMAN : Mr. McLaughlin, that doesn't answer my question.

Q--When you found they were not offering you what you thought you should get, there is provision in the Act, for impartial arbitration, and why didn't you submit it to arbitration, and then take your chance of getting more money than they had offered to you.

MR. R. J. McLAUGHLIN: The way I understand it is, if they expropriate we have a right to arbitrate, but they can come along to us and say "We will give you \$60,000 for this property, if you don't want to sell it we don't want it at all".

COMMISSIONER R. A. BOSS: Had the Hydro Electric Power Commission in 1906 the power to build?

MR. THOMAS McLAUGHLIN: Yes they had the power to build.

Q--You say from 1906, when the Hydro were first constituted, that you could not get further money for your project?

A--Yes.

Q--The inference from that is that the Hydro would have the right to build. I don't think they had, but I am not sure about that.

MR. R. J. McLAUGHLIN: I am not sure about that, but these are facts that we all know.

COMMISSIONER HARRIS: They had the right to build from the very start.

MR. R. J. McLAUGHLIN: We thought we had a concrete proposition.

THE CHAIRMAN : If you had said you wouldn't accept the \$60,000 then they wouldn't take your property at all ?

A--That is the way we understood it, "We don't want it at all unless you take that price for it". I understood they estimated it would only develop about 1000 H.P.

MR. THOMAS McLAUGHLIN: No matter what they claimed the

fact is 5000 H.P.

COMMISSIONER HANBY: Had you any options on any markets at that time ?

MR. R. J. McLAUGHLIN: Owen Sound and Collingwood, all within easy distance.

COMMISSIONER HANBY: Had they entered into any provisional arrangement with you prior to the sale ?

MR. THOMAS McLAUGHLIN: The then town of Owen Sound had given us right of way over the streets, and all that sort of thing, free of cost, but as far as announcing the price of power is concerned, that had never been determined.

MR. R. J. McLAUGHLIN: There was a good district.

THE CHAIRMAN: They say Mr. Jeffery, that you wouldn't arbitrate, "take \$60,000 or we won't take the property at all".

MR. JEFFERY: Here is the 1906 Act.

THE CHAIRMAN: That is about the right of expropriation.

MR. JEFFERY: Yes.

Q--Have you any letters from the Hydro stating that clause Mr. McLaughlin. A--No.

Q--Who was it told you that ? A--No one told me that.

MR. R. J. McLAUGHLIN: Who, on behalf of the Hydro, said, "we won't arbitrate, take \$60,000 or we don't want your property," who said that to you?

MR. THOMAS McLAUGHLIN: Well, I cannot remember.

THE CHAIRMAN: Do you know yourself, Mr. McLaughlin?

MR. R. J. McLAUGHLIN: I cannot remember, Mr. Chairman, but I know that was the understanding. We had a meeting of the Board holders, and the matter was discussed with them, and it was presented to them that that was all the Hydro Electric Power Commission would give.

Q--Presented to them by whom, by Sir Adam Beck, or Mr. Gaby?

MR. R. J. McLAUGHLIN: We were in his office and he was at the head of the table.

THE CHAIRMAN: Were you at that meeting, Mr. Jeffery?

MR. JEFFERY: No, I wasn't there, Mr. Chairman.

MR. R. J. McLAUGHLIN: It was all discussed generally.

MR. THOMAS McLAUGHLIN: I believe it was Mr. Acres made the offer of \$50,000. The meeting adjourned and he and I personally negotiated for some little time, possibly a week, it may have been longer, when the offer was advanced to \$60,000, but as for any conversation such as Mr. R. J. McLaughlin refers to I don't remember any details of that kind.

COMMISSIONER J. A. ROSS: Q--All verbal, Mr. McLaughlin.

A--Yes.

Q--No written offer, no correspondence? A--No.

COMMISSIONER R. A. ROSS: Q--Did Mr. Acres say on what basis he had estimated the value of \$50,000.

A--No.

THE CHAIRMAN: Q--What, shortly, did you make over to the Hydro for that \$60,000?

A--A continuous stretch of property along the reach of the river.

THE CHAIRMAN: Have you got anything there, Mr. Jeffery?

MR. JEFFERY: I have got plans here, Mr. Chairman, including the Falls proper.

THE CHAIRMAN: Did you actually own the properties, or did you have the right to overflow the land, Mr. McLaughlin?

MR. R. J. McLAUGHLIN: I have got a list of the properties here that we owned with the exception of one property.

THE CHAIRMAN: What was the area of the property owned?

MR. THOMAS McLAUGHLIN: Pretty nearly 300 acres. It is

not a question of acreage, Mr. Chairman, it is a question of fall.

THE CHAIRMAN: Q--They couldn't have developed there, unless they had all your property?

A--Absolutely no, we had everything.

MR. R. J. McLAUGHLIN: I have a list of all the properties here.

THE CHAIRMAN: I don't think it is necessary to enumerate them all. About what acreage did you make over?

MR. R. J. McLAUGHLIN: About 300 acres.

MR. JEFFERY: We have a plan here of the land.

MR. R. J. McLAUGHLIN: If Mr. Hogg might take up the burden now, Mr. Chairman, because Mr. McLaughlin isn't feeling very well.

The principles of the Public Works Act apply to the Hydro Electric Commission, but there is no right of arbitration until they actually take expropriation proceedings and expropriate the property, and of course, then we can arbitrate.

THE CHAIRMAN: They would have had to do that if you had stood still, and if they wanted the property.

MR. R. J. McLAUGHLIN: Well, of course, I don't know whether they wanted it or not.

THE CHAIRMAN: Mr. Hogg, what can you tell us about this?

Mr. A. O. HOGG: I could tell you a long story, sir.

Q--Well, tell us the pertinent facts bearing upon the matter.

A--Well, my father purchased mill reserves one, two and three, which were the basis of this whole power in 1876.

Q--That is, on the top of the hill where the water is now?

A--The property below Eugenia Falls, and for a portion above, with the idea of developing. There was a measurement of 280 feet head of water; he always hoped to develop it, and I had hoped he would, but he never was able to. I took the property over from him on 26th February, 1902.

In that same year he refused a marked cheque for \$50,000, for the property he owned, from Mr. W. F. Cowan, the President of the Peninsula Cement Company of Peninsula, Michigan. I, myself, saw the cheque certified by the Bank right in front of him in January 1902 for that property, to develop the power to take it to Durham to run the Durham Cement Company. I don't know that that is its exact name, but the cement Company that was formed at Durham, he was President also of that, and he tried to buy this property to develop it, but they were not able to deal, and that fell through. Then this Company later was formed, The Georgian Bay Power Company. Mr. McLaughlin, Having been a flour miller, and his father before him, and accustomed to water powers knew of this, and wanted to form a Company to develop electric power.

Q--What did the Company pay you for the property ?

A--Now, I haven't got the exact figures on that. I think with stock, and Bonds, and cash, if my memory is right, it was \$55,000. I am speaking from memory, I didn't take those figures down, but there was a certain amount of cash, and Bonds and stock in this Company, \$15,000 cash. The stock, I haven't got it now, there was quite a lot of it, but it seemed to be more bulk than value.

I wasn't connected with the Georgian Bay Power Company at the time I sold the property. I was engaged in other business, and I sold it to the Company and attended to my own business, and it went on till the President of the Company, John O'Donahue, of Stratford, died. Mr. Thomas McLaughlin was the Secretary of the Company from the time of its inception till it was wound up. I am not clear on all the details, but I know they sold these Bonds, and I came into it at that time, with a view to helping carry it along. Mr. McLaughlin said they were unable to place any stock after

1906, or to sell any Bonds. Everybody felt that public development by the Hydro would interfere with any private development, and, therefore, they were unable to sell Bonds.

Q--Mr. Hogg, why couldn't you have protected yourselves against that by going to those Municipalities, Collingwood, and Owen Sound, and getting franchises from them which would have given you the right to supply them for, say a number of years at a certain price ? A--My dear sir, I think, if my memory serves me right, we were in Collingwood a good many times, and in Meaford, Markdale, and in Owen Sound a number of times, on that express business.

MR. THOMAS McLAUGHLIN: They all wanted to wait for the Hydro.

MR. HOGG: There was always a dispute as to who owned the actual Eugenia Falls. The streets in that village have all historic names, Alma, Balaclava, and Inkerman, and Alma Street was laid out on the map to run right across the Falls, and in our negotiations it was discovered, or the question arose as to whether this Company owned them or not. We went up and negotiated with the Township Council, and we paid them a certain amount of money - I think it was \$2200 - and purchased from them the right to close Alma Street, and got the title to that property, which gave a continuous stream from the end of mill reserve one, up to the other end of the stream. Later on, the Company purchased the properties below these Falls, down, I don't know the distance but we had Mr. Breckenridge, the man who developed Niagara Falls, report, and, later, got Mr. von Schon's report, which is referred to here, and their recommendations were that this would be a better development to take the whole stream, and that property was bought and turned over to this Company, and, as Mr. McLaughlin stated, he and I went to Owen Sound. We tried several times to get an interview with Sir Adam Beck, at that

time, and we were unable to see him personally, and we saw a meeting billed in Owen Sound, and we went up and met him there, and Sir Adam Beck complimented Mr. McLaughlin and I there in the hotel on the spirit of coming to them voluntarily, and, offering to sell them the power. He had Clarkson and Cross' audited report, and we handed them von Schon's report, Roberts and Abbots report, and every detail in connection with it, and told them it would take at least \$150,000 to pay the actual money invested in the Company.

Q--Where had your money gone, that \$150,000?

A--If Mr. McLaughlin wasn't sick, he could show you the details of it, I didn't keep the books. There is an auditors report right here, by Clarkson and Cross, showing the whole thing. The Township of Artemesia was paid \$2000, and later \$200, that is \$2200 to close Alma Street. The expenditure on property according to this report is \$86,931.80.

Q--That was paid in Bonds, and that is hardly on a cash basis? A--They figured the Bonds were on a cash basis because stock went with the Bonds, and \$86,931.80 is the auditors report paid for properties.

Q--That was paid for in the form of Bonds, was it, or were the Bonds first sold and then the proceeds paid for the property?

MR. R. J. McLAUGHLIN: \$13,000 paid in cash to Mr. Hogg, and \$40,000 in Bonds and stock -

THE CHAIRMAN: I suppose the stock received went with the Bonds?

MR. R. J. McLAUGHLIN: Yes. The rest of the property that made up the \$86,000 was all bought for cash.

THE CHAIRMAN: They must have sold about \$46,000 in Bonds?

MR. HOGG: \$136,700.

THE CHAIRMAN: You gave \$80,000 for it, \$16,000 paid in cash.

MR. THOMAS McLAUGHLIN: There was just a portion of the

property, you see, bought from the Hogg Estate. There was \$15,000 cash paid for that , and the rest in Bonds.

THE CHAIRMAN: You made over \$86,000.

MR. THOMAS McLAUGHLIN: There was \$37,000 of other property that was paid for in cash. You see, there were about fifteen or sixteen different parcels, while the main Falls belonged to the Hogg Estate.

THE CHAIRMAN: Did you sell your Bonds at par, Mr. McLaughlin?

MR. R. J. McLAUGHLIN: They were paid at par, but there was a commission paid for selling them.

THE CHAIRMAN: How much?

MR. R. J. McLAUGHLIN: Ten per cent.

THE CHAIRMAN: So you got nett about 90^{cents} on the dollar for your Bonds.

MR. HONG: Yes.

Q--Where did you spend the rest of this money from the Bonds ? A--On different engineer's expenses.

Q--That would run up quickly ? A--Perhaps if we read this auditors report.

A--Perhaps you had better just hand it in, unless there are some points you would like to bring out. Let me see it, please.

COMMISSIONER HARRIS: I don't think it makes a particle of difference whether it was cash or securities.

A--I didn't think so at the time.

COMMISSIONER HANEY: Q-- I presume somebody paid cash ultimately? A--Why, yes.

COMMISSIONER HARRIS: Those men went into this thing in perfectly good faith, They had to raise the money and they didn't have the same bankers as the Hydro had, they couldn't get the money as easily, and you are quite right in the statement made, that immediately this Act came into effect it was impossible to finance any power undertaking in this

province.

A--It was, sir. I would like to call your attention to one thing, that two men, whom we considered had as much information and knowledge on development of waterpower in this section of the country at that time, William Needler, of Lindsay, a miller, and B. F. Reesor of Lindsay, the two men who bought the power plant at Fenelon Falls, and developed the Lindsay Light Heat and Power Company, these two men, put in cash, William Needler \$10,400 and took Bonds for it, Mr. Reesor \$3000, and Mr. Reesor afterwards had charge of the plant, a practical man. Those men got paid at the rate of $26\frac{1}{2}$ cents on the dollar for their Bonds.

Q--What did they pay for their Bonds ?

A--Par value, sir. They got $26\frac{1}{2}$ cents on the dollar on the principal; the total average paid for the Bonds to the Bond holders, including interest coupons unpaid was 18.87 cents on the dollar, so after deducting all the charges that were accrued in carrying the property the Bond holders received \$36,584.39 for \$137,600 face value of Bonds. That is a copy of the National Trust Company's list of the Bond holders as the money was paid. Take the total indebtedness at the time it was sold, it was \$193,874. Just there, I would like to say I wasn't a lawyer, but we had some very earnest enquiry made into where we stood on this, when it was going on, and I was always under the impression that there was a statute in Ontario known as the Conmee Act, which held the right to private owners when taken over by Municipalities or Public ownership bodies to arbitration.

THE CHAIRMAN: I don't think your property would come within the scope of that Act. Yours was an undeveloped property, it wasn't in operation at the time.

A--A small part of it was in operation, an electrical plant at one of the dams. By that Act the Municipality couldn't

go into possession without expropriating a private Company.

THE CHAIRMAN: Mr. McLaughlin, did this property come in under the Conmee Act?

MR. R. J. McLAUGHLIN: Only that portion in the village of Flesherton, but there was this about it, that after that Act was repealed there was no longer any security at all for a private company.

THE CHAIRMAN: It had just as much security afterwards as it had before.

MR. R. J. McLAUGHLIN: No, we had already secured franchises from these towns.

THE CHAIRMAN: Had you?

MR. R. J. McLAUGHLIN: Yes.

THE CHAIRMAN: Of, yes, but not exclusive franchises.

MR. R. J. McLAUGHLIN: No, not exclusive, but franchises, if we had gone ahead while that Act was in existence, and put in the works in these towns, then the corporation would not take Hydro power and run opposition to us.

THE CHAIRMAN: Would they have had to take over not only the plant in the town but your other plant as well, that is the development plant situated miles away, or just the local distributing plant.

MR. R. J. McLAUGHLIN: I don't suppose it would.

THE CHAIRMAN: I do not think it would have applied to that.

MR. R. J. McLAUGHLIN: Well, that Act did give a fair amount of protection to an investment in private capital.

THE CHAIRMAN: What year was that repealed?

MR. R. J. McLAUGHLIN: I think it was repealed in about 1906.

THE CHAIRMAN: I think it was a little later than that.

MR. R. A. ROSS: I think about 1913.

THE CHAIRMAN: 1908, I think.

MR. HOEGG: If I may go on, sir: after having in our possession, ^{and} studying, for the benefit of Bond Holders and others, Mr. W. A. Breckenridges report, R. McDowall of Owen Sound, C. E. Vogee of Ottawa, Mr. von Schon of Detroit, then at Niagara Falls, it had become difficult to sell Bonds, and we commenced negotiations with a syndicate in New York to sell the property. Two gentlemen, Carpenter and Wheaton negotiated with us here, and went over the property, and we made them an offer to sell at \$250,000. They went down to New York and came back and said they thought their clients would be interested, but they wanted a further engineer's report, and that if the Company were willing to employ Messrs Roberts and Abbott, of Cleveland, Engineers, to make a report, and the Company would pay for the expense of that, which was to be \$2000, they gave us to understand that if the report favoured the other three that the power was there, they would purchase it.

THE CHAIRMAN: What year was that ?

A--1912, sir. In 1912 Roberts and Abbott started their report and later finished it and sent out a copy of it and a copy was sent to the New York Syndicate who were purchasing. After considering it an Attorney was sent up here from New York. This Hydro legislation was then being considered and made public. I don't recall the gentleman's name, but I do recall that he was a real lawyer. He came up to the Parliament Buildings here, and got a copy of what was known as the Beck Act, and we met him down town that evening, and, after reading it over, his reply was that he had never read a more confiscatory piece of legislation, and that as a lawyer sent here by his clients he could not recommend them to make an investment in any country where the laws gave the right to take away the property, or cancel any contracts they might make. He said " I am sorry, gentlemen, but I will

have to recommend my clients not to invest." Now, the Company paid the expense of Roberts & Abbott making that report for the purchasers, not for the sellers.

COMMISSIONER HARRIS: Q--Did that firm confirm the previous reports? A--Yes, sir, we have got it right here. Here is the complete report. I would be glad to leave those reports with your Commission to study. That report was made on the 12th of July, 1910, so I am mistaken in that other date.

We believed there was 5000 h.p. to be developed in the property, and I still believe it.

Q--That includes other power than Eugenia? A--No, just Eugenia, sir, by going down to the end of the stream and up to the head, and constructing a reservoir that was provided for there, - a lot of this reservoir property was purchased by the Company, and part of it, I understand, is not even in use by the Development, it is used somewhere else. Personally, I wasn't very much interested in it until the latter part of it. The taxes were getting in arrears, there was money owing to people who were supplying piping and other material for a tunnel that was being cut through the mountain under this plan that was suggested, and I advanced altogether, during that period, something over \$5000. in cash to meet those taxes and pay those pressing obligations. Mr. McLaughlin was able to finance by borrowing something like \$7000. outside of that. I see a letter from Mr. R.J. McLaughlin to the Trust Company in giving it over, that it had cost \$3,778.61 in disbursements from the time we started negotiations with the Hydro till it was closed up. That was actual cash spent. The money received from the Hydro was \$60,000. less taxes then due.

MR. R.J. McLAUGHLIN: Well, of course, that was

adjusted out of the \$60,000. ? A--I would like to call your attention to this: When the Bond Holders met they met in the Hydro Electric Power Commission's office on Bay Street to consider this offer. The money that Mr. McLaughlin had borrowed and the money I advanced was to pay debts, and taxes, to save the property. At the Bond Holders' Meeting they voted to pay those debts as a preferred claim against the Bonds, amounting to \$17,137.

MR. R.J. McLAUGHLIN: Certain properties had been handed to you, and also to Mr. Justice Kelly, to secure these carrying charges.

THE CHAIRMAN: That is, in effect, in the form of a mortgage.

MR. R.J. McLAUGHLIN: Yes.

WITNESS: Altogether, amounting to \$17,137.00.

MR. R.J. McLAUGHLIN: To secure them ^{on the} advances that they made.

THE CHAIRMAN: Q--Were you going to tell us about the negotiations, Mr. Hogg, with the Hydro; did you take some part in those? A--Yes, I did.

Q--Did they refuse to arbitrate? A--I don't know that they were asked, sir, it was just as Mr. McLaughlin stated: We started negotiations, and they offered \$50,000., and the Bond Holders were dissatisfied with that, and he endeavoured to get \$150,000. so that they could get their money back, which they put in, and negotiations went on for a week or more after that, and they came back with an offer of \$60,000. and wouldn't pay any more.

Q--Well, you had the right to arbitrate.

MR. R.J. McLAUGHLIN: No, I thought we made that clear. We understood they would not expropriate.

THE CHAIRMAN: Mr. Hogg says they offered \$60,000. They would not expropriate. We were told just now that

they said " Take the \$60,000. or we won't take your property at all". A--That is it.

Q--Was that what they said? A--That was the attitude exactly.

Q--This property was practically essential to them for the development of power in that district? A--I contend that that property which they took from the Georgian Bay Power Company represents at least four fifths of the present development there.

Q--Mr. Hogg, if you had told them you would not take that \$60,000. what would they have done ? A--I don't know, you will have to ask Sir Adam Beck, I cannot tell.

MR. THOS. McLAUGHLIN: They never offered to arbitrate, we were trying to act as reasonable as possible.

MR. R.J. McLAUGHLIN: They said they could supply from Niagara.

THE CHAIRMAN: There is nothing to show that you did not ^{refuse} the \$60,000.

COMMISSIONER HARRIS: They had already constructed Wasdells.

THE CHAIRMAN: No, I think not.

MR. HOGG (Of Hydro): That was finally taken over in May, 1914.

COMMISSIONER HARRIS: Q--Was that when the final arrangement was made, Mr. Hogg? A--Yes.

COMMISSIONER HARRIS: They had already decided on Wasdells.

THE CHAIRMAN: That is a very small development, though.

COMMISSIONER HARRIS: I know, but that settled their policy, as to what they were going to do up there.

MR. R.J. McLAUGHLIN: I think these Bond Holders

were doing what they thought was best. The idea we got was that we could never arbitrate unless they came along and expropriated, and they never made a suggestion that they would expropriate. We had no assurance that they would expropriate, so we never had the opportunity to arbitrate.

COMMISSIONER HARRIS: You did not have a definite agreement with Owen Sound and Collingwood to supply them with power? A--No.

Q-- Only had franchises allowing you to put your poles up and sell power in those towns? A--Yes.

MR. R.J. McLAUGHLIN: There is no question about the market.

COMMISSIONER HARRIS: Q--Did you name a price to them? A--I don't think it ever got to naming a price.

THE CHAIRMAN: I should have thought that was one of the first things discussed.

MR. THOS. McLAUGHLIN: Prices were discussed.

COMMISSIONER HARRIS: You must have named a price to them before you got a franchise to put your poles up in the town? A--As a matter of fact, Owen Sound did not believe the power was there, the Council of Owen Sound told Sir Adam Beck the first day we met him there, that he could not supply that from Eugenia Falls, and Sir Adam was just as firm that the power was there as our engineers were.

COMMISSIONER HARRIS: They gave you a franchise to put poles in the town when the power was not there.

COMMISSIONER R.A. ROSS: Q--Owen Sound had its own power? A--Yes, sir.

Q--Why should they allow you, without any arrangement being made as to price, to come in and compete with them? A.. I didn't have anything to do with the negotiations on that.

MR. THOS. McLAUGHLIN: They were very anxious, in Owen

Sound, a good many manufacturers to get in power.

COMMISSIONER HARRIS: Q--Did you name any price for Collingwood? A--I didn't have anything to do with those negotiations.

MR. THOS. McLAUGHLIN: Collingwood carried on negotiations with us throughout a whole summer with a view to taking the properties at Eugenia Falls over on their own account.

WITNESS: According to the Hydro Electric Commission's report of 1921, if I figure correctly, they are selling 5520 h.p. from this development. Their revenue is \$232,319. The cost of power ranges from \$30 to \$90 per h.p., and the cost of the System at that time was \$2,046,568. Our contention is that they did not pay the value for the property. Roberts & Abbott say that it was worth at least \$150,000., in making a report for a purchaser. That is what we asked the Hydro to pay, that is what we think they ought to pay, that is what I strongly think the Bond Holders are yet entitled to.

THE CHAIRMAN: What do you want now, Mr. Hogg?

COMMISSIONER HARRIS: \$90,000.

WITNESS: I don't want it, but I think the Bond Holders of that Company are entitled to \$90,000.

THE CHAIRMAN: Q--From whom? A--From the purchasers of that power, or whoever gave them the power to do it that way. I have been in business 39 years and I never had to sell anything at 40¢ on the dollar yet, except that plant. I contend we had a 400 ft. head of water there, which is the basis of that plant, and we did not get the value for it.

COMMISSIONER HARRIS: Your estimate of the cost of development there was what, \$248,000.? A--There are

three reports, sir. We could leave you those reports. There is Von Schon's report, and Roberts & Abbotts report, and Breckenridge's report. Probably some of you gentlemen are a lot more familiar with the technical part of them than we are. They can be returned later.

THE CHAIRMAN: Yes, they will be interesting. Is there anything more, Mr. Hogg? A--I don't think there is anything more in connection with that, that can help you?

THE CHAIRMAN: Mr. Jeffery, would you like to ask some questions of these gentlemen? ?

MR. JEFFERY: No.

WITNESS: I might say this, Mr. Chairman, that the two men who were managing the Lindsay plant were offered \$100,000 for it by the Hydro, which they did not accept, and they sold the same plant for \$230,000 to the ~~HANEX~~ Seymour Company. We had some practical men in this business ^{that} understood it, and they had never been satisfied that they got anything like the valuation of the property into which they invested their money.

COMMISSIONER J. ^{A.}ROSS: Q--Did you ever try to re-open the deal with the Hydro Electric Power Commission? A--No, sir.

Q--Why didn't you? A--Didn't think it was any use.

Q--Signed, sealed and delivered? A--We were told it was final, that was all they would give.

COMMISSIONER HANEY: Q--You spoke of a tunnel being constructed. To what extent was the work done on the tunnel? A--I think it is in the Roberts & Abbott report.

MR. THOS. McLAUGHLIN: The tunnel was completely driven through the mountain, and timbered.

THE CHAIRMAN: What was the size of it, Mr. McLaughlin?

MR. THOS. McLAUGHLIN: Well, it was large enough to

take a 54 inch pipe.

COMMISSIONER HANEY: The idea was to put a pipe in the tunnel.

MR. THOS. McLAUGHLIN: Yes, carrying the pipe down the edge of the stream.

COMMISSIONER HANEY: I understand, I have been up there.

MR. THOS. McLAUGHLIN: There were two ways of bringing the water from the dam to the Falls.

THE CHAIRMAN: What is the size of their present pipe.

MR. THOS. McLAUGHLIN: I cannot say.

THE CHAIRMAN: What is it, Mr. Hogg?

MR. HOGG: (Hydro) The present pipe varies from 46 to 52 in diameter.

THE CHAIRMAN: Is there anything more, Mr. Hogg?

WITNESS: I think not, except this: we were making an honest effort to develop electric power there. That is what the Georgian Bay Power Company started out to do, and what they would have done, I believe, if this Legislation had not come in.

COMMISSIONER HARRIS: Your contention is that you went into that thing with a perfectly sincere desire to create something in that section of the country, and develop h.p. and deliver it to the people at a moderate cost?

A--Yes, sir.

Q--At a low price? A--Yes, sir, that was the purpose of the development.

Q--And you say you were justified in doing that at the time you started in with it, and that after you got started the Ontario Government comes along and creates new Legislation of a confiscatory character that prevents you going

ahead with your work, and that, under those circumstances, when the Hydro came into the question they should have taken a fair, reasonable view of the situation, and should have paid you what your property was actually worth?

A--Yes, sir, and I claim they did not take either a fair or a reasonable view. We did not ask for any profit. We asked them to pay the amount of money invested in it, \$150,000. and they refused to pay more than \$60,000.

Q--Yours is not the only case where that sort of thing has happened. A--I am quite aware of it. I have always regarded that had our property been situated on a navigable stream they wouldn't have got it for \$60,000. They didn't get Lindsay at the price they offered.

The fact that William Needler, an experienced miller, who ran mills by water power all his life, went up there and paid \$10,400. for bonds, is evidence that he believed power was there.

THE CHAIRMAN: It seems to me ^{the Act} protects you in a way, because it provides for arbitration. They could not take your property, it is really a matter of administration, taking the section under the Act. If you didn't sell to them it would have meant, practically, that they would enter in as competitors of yours, and that, therefore, it would not pay you to go on, but it would be better to sell out to them and get what you could?

A--There was nothing to compete there with, sir, there was no power they could compete with there, that was the only power.

COMMISSIONER HARRIS: They could not bring Niagara Power into that district and compete with you, but that ^{Act} does prevent you from getting capital.

THE CHAIRMAN: As I understand your contention, it

is that they, in all fairness to you, when they were going to take the property, should have given you a chance to have an arbitration on it. A--Yes, sir. They even refused to give the value of the property from men who ought to know better than we did what it was worth.

THE CHAIRMAN: Well, now, let us hear the Hydro side of this. You have been very quiet, Mr. Jeffery.

MR. JEFFERY: We have nothing to say at all.

THE CHAIRMAN: Oh, well, we want you to. You have heard what those people have said, that they had better sell to you at the price you offered or else you wouldn't go on at all, that you wouldn't arbitrate, and that you would bring Niagara power in there?

MR. JEFFERY: I might say, Mr. Chairman, that we were not advised that this matter was going to come up this morning.

THE CHAIRMAN: I asked you just now, before the matter came up, whether you were the gentlemen who could deal with it.

MR. JEFFERY: When they started in, Mr. Chairman, I understood they were going to deal with the Meaford matter.

THE CHAIRMAN: Not at all, those gentlemen have nothing to do with the Meaford matter.

MR. A. O. HOGG: Meaford is a sort of second cousin to it.

THE CHAIRMAN: We want to hear the Hydro side.

MR. JEFFERY: Mr. Bower told me last night that the Meaford matter would be taken up first thing this morning, and that is what I thought was coming up when I said that we were here to handle it.

THE CHAIRMAN: They had already stated what they were going to do, it was Eugenia they were dealing with, and I asked you that question. Who is competent to speak on that question.

MR. JEFFERY: Mr. Gaby, I suppose, and Sir Adam and Mr. Pope.

COMMISSIONER HARRIS: Mr. Gaby in matters of this kind, always contends that he is not a member of this Commission, therefore, he is not responsible for the policy of the Hydro, and you are in the same position, you are not responsible for the policy of the Hydro.

MR. JEFFERY: No.

COMMISSIONER HARRIS: The Hydro policy is determined by the Commission?

MR. JEFFERY: Yes.

COMMISSIONER HARRIS: We want proper answers to those questions and, in that case, we must get them from the Chairman of the Commission. I mean, that is the attitude Mr. Gaby has always taken when he has got up against the problem, that he isn't responsible for the policy, he just simply carries out the instructions given to him by the Commission.

MR. A.O. HOGG: Referring to the policy of the Commission, Mr. Lucas was then a Member and Col. McNaught, and in our efforts to get this closed out, and get this money paid in, Mr. Lucas told us that he had agreed with the township of Artemesia to give the Reeves an opportunity to discuss with the Commission whether they would continue to pay Municipal taxes and we were present at that meeting when the three Reeves and the solicitor of the Township came down and asked if the Hydro Commission would continue

to pay Municipal taxes. It was then costing about \$800 odd dollars a year. Sir Adam Beck, then Chairman, came in and said, No, the Hydro Commission will not pay Municipal Taxes. He did not ask either one of the Commissioners what they thought about it, or anybody else, he made the decision and walked out,^{and} I think a great many other decisions have been made in exactly the same way.

COMMISSIONER HARRIS: He always has made the decisions.

MR. HOGG: In this particular case we have survived the shock and it has not put us out of business.

COMMISSIONER HARRIS: It seems their policy is to pay what they have to pay and not any more. In cases where they have to deal with Corporations that were strong enough they have not been able to buy their properties for half their value, or a quarter of their value, but in some cases they have paid a great deal more than the value.

MR. A.O.HOGG: My understanding was that this Hydro Act was not applicable, where it dealt with a navigable stream.

COMMISSIONER HARRIS: Of course they run into difficulties there with the Dominion Government.

MR. A.O. HOGG: Exactly.

MR. R.J. McLAUGHLIN: Of course, this is a case where the owners were numerous, and small people. They met there in the office, and it seemed to them all that if that was the best price they could get they had better take it and not fight the Government and the Hydro Electric Power Commission.

Hydro bought it as cheap as they could. There used to be what was called "The infallible justice of the Crown," that the people had been accustomed to depend upon ever since Magna Charter.

MR. A.O. HOGG: I would like to suggest to the Commission, if they could make any change to the Act, so that this kind of thing could not occur again, I would earnestly suggest that it be done.

COMMISSIONER HARRIS: That is one of the things we will have to take into consideration, and will have to deal with, undoubtedly.

THE CHAIRMAN: What change in the Act could protect you, the Act now provides for expropriation and arbitration.

COMMISSIONER HARRIS: Only in the event of expropriation.

THE CHAIRMAN: Well, now, is it not only a matter of administration.

MR. A.O. HOGG: Largely a matter of administration.

THE CHAIRMAN: I understand you wanted to ask a question.

MR. HOGG: (Hydro) I was going to ask a question, Mr. Chairman, but it isn't very material now, that is, whether Roberts & Abbott in their report did not recommend certain changes from the lay-out of Mr. Von Schon ?

MR. A.O.HOGG: Well, I am not an engineer, there is the report.

MR. HOGG: (Hydro) I have a copy of the report.

MR. THOS. McLAUGHLIN: You are right. Just as I remarked, there were two ways of getting water from the dam . One was as Von Schon designed, coming down through the tunnel and through the bank to the power house below. The other was to bring it down as shown there. I don't say they followed Roberts & Abbotts' report, although Mr. Acres had Roberts & Abbotts' report, Von Schon's report, and Breckenridges report.

MR. HARRIS: I don't think that is very material, Mr. Hogg.

MR. HOGG: (Hydro) Money spent on the tunnel was of course, no use whatever for further development, that is, so far as the Hydro is concerned. Incidentally, if the Company had gone ahead themselves it would have lost, as a matter of having had poor engineers in the first place.

MR. THOS. McLUIGHLIN: Pardon me, that isn't right.

MR. A.O. HOGG: I object to anybody saying these men were not competent engineers, they were the best American engineers.

MR. HOGG: (Hydro) I was not making any statement as to Von Schon's ability, but I say further that the report of Roberts & Abbott recommended that the Von Schon scheme be abandoned and a separate scheme be used which, inevitably, would have meant abandoning the tunnel which had been put in.

THE CHAIRMAN: So that was of no value to them.

MR. HOGG: (Hydro) No.

COMMISSIONER HANEY: One of those reports valued the property at \$150,000.

MR. A.O. HOGG: Roberts & Abbotts' report is considered a larger development than you now have.

MR. HOGG: (Hydro) By no means.

COMMISSIONER R.A. ROSS: Take a report of that kind, where it was a question of purchase an engineer would undoubtedly be governed by the amount of money that had been spent.

MR. A.O. HOGG: The offer to the people we were negotiating with was \$250,000 not \$150,000.

MR. HOGG: (Hydro) I am not interested particularly in defending the fact, I am not here to defend the question of whether it should be \$150,000 or \$60,000. That isn't the point I am getting at. My point is that the

development of the Hydro was something very different from what was contemplated before, but Engineer Mr. Von Schon had recommended a certain development there which, in my opinion would not have given over 1200 h.p. The Roberts & Abbott report contemplated putting in some 5000 h.p. They again figured on putting in a dam with 50,000,000 cu. ft. of storage. It is stated in the report. We have built there today a dam which gives 800,000,000 cubic feet of storage, and that puts a different complexion on the development altogether. There is a difference today in the fall, a head of 550 feet, with a continuous h.p. of about 3,200.

MR. A.O. HOGG: What did it cost to buy the land in connection with the reservoir?

MR. HOGG: (Hydro) I would not like to say definitely, but another \$40,000 or \$50,000.

MR. A.O. HOGG: How many feet had you out of what you got from the Georgian Bay Power Company? A--About 75 feet of head more than what was contemplated by the Roberts-Abbott report.

MR. THOS: McLAUGHLIN: At a cost of about \$40,000.

MR. HOGG: (Hydro) I would like to check those figures before saying definitely. All the lands obtained from the Georgian Bay Power Company, - I would not say all of them, but I think certainly 95 per cent of them were below the ^{site} of the dam, and the storage lands had all to be purchased for the development ^{that} the Hydro put in.

MR. A.O. HOGG: Wasn't it a fact that the land was below the Falls?

MR. HOGG: (Hydro) The land purchased from the Georgian Bay Power Company comprised some ten or twelve parcels and covered the Fall, the actual fall in the river.

There was no land available in that purchase for storage purposes; that was all purchased after the Hydro bought the property, two thousand acres, I think. I have here a map showing the properties as purchased from the Georgian Bay Power Company.

MR. A.O. HOGG: You got two storage properties from the Georgian Bay Power Company. If you did not use them, that is another thing. You got them, we bought them and paid for them, and turned them over to you.

COMMISSIONER HARRIS: If the Hydro had started this thing in the very beginning they would have had to have those lands that the Georgian Bay Power Company had purchased.

MR. HOGG (Hydro): Yes. I am not defending, in any sense of the word, the purchase at Sixty Thousand Dollars. I am merely trying to give the Commission some facts that will help them in their decision, as to whether the matter was fair or not, and if these facts are of interest, all well and good.

MR. THOMAS McLAUGHLIN: Would the lands that you bought over and above the lands you bought from the Georgian Bay Power Company have been any use to you, or anybody else, as the basis of your power scheme, with ^{at} what you bought from us?

A--No, absolutely; that is the reason the Commission paid Sixty Thousand Dollars. I say that the development was made very much more valuable by reason of the storage. This question came up in connection with some evidence I gave before you previously in connection with the possible development below the Falls, where it was brought out that the low water ^{fall} on the river was a matter of a third of what we are using to-day as the average of the river,

twenty two second feet.

COMMISSIONER HARRIS: You said that this land you bought above the Falls there for storage purposes would not have been of any use to you without the land that the Georgian Bay Power Company sold.

MR. HOGG (Hydro): No.

MR. A.O. HOGG: I am very pleased to hear you say you are not defending the purchase.

THE CHAIRMAN: It isn't part of his department.

MR. HOGG (Hydro): I am simply trying to give you the facts.

MR. A.O. HOGG: I would like to get before the Commission your position as to whether von Schon was a competent Engineer or not.

MR. HOGG (Hydro): Absolutely.

Q--And Roberts & Abbott? A--Yes, sir.

Q--Is Mr. Breckenridge? A--Absolutely.

Q--Do you know of any more eminent Engineers that could have been obtained at that time?

A--That is hardly a fair question.

Q--I mean at that time, in 1906? A--They were all submitting different schemes.

Q--We got competent Engineers to do the estimating?

A--I would not like to take issue with the Engineers.

Q--I thought you were? A--Not by any means.

THE CHAIRMAN: Well, is that all then, Mr. Hogg?

MR. A.O. HOGG: Yes, I think so.

THE CHAIRMAN: We have got to hear from the Commission. It is a matter as between you and the course that was taken by the Commission. I am sorry that Sir Adam Beck is not here, or Mr. Gaby.

MR. A.O. HOGG: Sir Adam Beck knew this was coming up. We waited here last Thursday.

THE CHAIRMAN: Apparently he did not know it was coming up this morning. He is to be here at two o'clock, and we will take it up then. Will you be here this afternoon? We have got to hear the Hydro side of this, and I think you ought to be here.

MR. A.O. HOGG: Do I understand this gentleman's name is Hogg?

THE CHAIRMAN: Yes.

MR. A.O. HOGG: Why, he telephoned me yesterday that this hearing would be at ten thirty.

MR. JEFFERY: Mr. Hogg did not know there would be a hearing this morning till I advised him.

THE CHAIRMAN: That is not the gentleman. I understand there is another Mr. Hogg connected with our Commission.

MR. A.O. HOGG: I beg your pardon, Mr. Hogg.

WILLIAM T. MOORE called:

THE CHAIRMAN: Q--I understand you wish to say something about the situation in Meaford?

A--Yes, Mr. Chairman.

Q--Perhaps you will shortly state to us, Mr. Moore, the situation there?

A--The situation is this, Mr. Chairman, that I am representing, as President of the old Georgian Bay Milling and Power Company, the shareholders who feel that, under the present winding-up of our Company, which is in bankruptcy, and under the conditions existing at present, they are not going to get a fair deal, and I am also representing my two brothers and myself.

I am the President of the Company, T.R. Moore is Secretary-Treasurer, and W.J. Moore is the Electrical Superintendent, who have practically guaranteed, with their personal bonds, the most of the debt of the Company which might not be paid by the sale of the assets under the Bankruptcy proceedings.

Now, in justice to ourselves, and in justice to our shareholders, and because we have not been able to get that justice under the present Hydro Electric Act as passed by the Legislature of Ontario, we want to ask this Commission to hear our statement of the case, which is probably a little like the statement you have just heard of the Georgian Bay Power Company of Eugenia. I will be as brief as I can, I am not a lawyer.

In 1886, father and ourselves bought the mill at Meaford. That mill was driven by water power right at the mill, a dam there and so on. In 1889 some electric company made a contract to sell a plant to a man in the Town of Meaford, Mr. Abbott, and the Town of Meaford were

to take a certain number of lights on the street system, and he fell down in his proposition, and the Mayor of the town at the time, and Mr. Abbott, came to us to see whether we would step into his shoes and light the Town of Meaford, the streets and the private stores. It was an open arc system at the time, so it wasn't suitable for street lighting.

In 1889 we began, and probably spent six or seven thousand dollars. We installed a dynamo at the bottom of our mill, and put in an extra water wheel, and so on, and I think got a year's contract from the town at the time. I will give you a brief resumé. However, I had better go on with my whole case and give you the details later on.

In 1889 we started, and in 1890 we got another contract with the town, and every time we got a contract we had to spend a little more money developing a little bit more power. This went on until 1903 or 1904, when we found that if we wanted to continue the electric lighting of the town, continue our plant, we had to go to considerable extra expense, and in 1903 the town began to think that we were getting a monopoly of the proposition, and they refused to renew our contract from 1903 until 1904.

We claimed then that we were under the protection of the Conmee Act, and that was a great bone of contention at the time. I have a file here of the Meaford paper, in which there is a letter that I wrote to the Honourable George W. Ross, who was Premier of Ontario, giving him the nature of our trouble up there, and asking him if he believed that the Conmee Act was a fair Act, and so on, and his letter is here, in reply, in August, some time, of 1903, saying that he did not see how anybody could take any objection to the Conmee Act, because it was an

Act which protected not only the private company but the municipalities, and that was really what we wanted. We wanted the highest opinion we could get, and we went to him.

Now, then, on the strength of that letter, and after various meetings with the public of the Town of Meaford, and by realizing that we were under the protection of the Conmee Act,- because I believe that during the trouble they ordered us to take our poles and wires off the street, and they found out afterwards that the Act prevented them. I can give you our letter to him, if you like. We were then the firm of W. Moore & Sons, we did not incorporate ourselves. The Prime Minister's reply is printed in the issue of July 31st. It reads as follows:

"I beg to acknowledge receipt of your letter of the 24th instant, in which you make certain enquiries with regard to the Conmee Act.

Allow me to say that the so-called Conmee Act was carried through the House five or six years ago with the consent of both parties. That the principle of the Conmee Act was adopted by the British House of Commons several years ago before it was adopted in Ontario and that it still remains on the Statute Book of Great Britain is pretty strong evidence of its fairness to the public and private interests concerned. Under the provisions of this Act either water works or electric plant, or both, have been taken over in a dozen large municipalities, so that as a matter of fact, it is no hindrance to municipal ownership, so desirable particularly in the case of water works, and without any harm, as far as I know, even in the case of electric lighting. No amendment was made last session to the Act providing that corporations could contract themselves out of the

"Statute nor do I believe if a proposal were made to repeal the Act it would be received with much favour.

It is neither good morals nor good politics to encourage legislation that would practically lead to the confiscation of private property."

That was in 1903, and through that letter, and after public meetings, and so on, at which the whole matter was discussed, in all its bearings,- we had the thing thoroughly threshed out with the Town of Meaford, that we were under the protection of the Conmee Act and that they could not put us off the streets without giving us a fair remuneration, and they gave us another contract for eight years this time.

It was all with a view to carrying our business upstream and developing another power which would not interfere with our mill power, and give the Town of Meaford the light and power that they required.

In 1904 we began to put our affairs in shape to go into, or start, the Georgian Bay Milling and Power Company, and in 1905 we put the Company through, and we applied to the Town of Meaford, because sometimes our local fight is not very bad, while it is very bitter when it is on; it is just a difference of opinion, and the very Mayor, Doctor Hammill, whom we had disqualified there on a technicality, was the man to whom I went. He was Mayor in 1905. I said "Here, Doc, we have got to have help to put our power scheme through up the river", and he said, "All right, what do you want". Well, I said, we ought to have Fifteen to Twenty Thousand Dollars to help us out, it is going to be quite a big development. He said, "All right, put your scheme up to the Council", and he said, "I will do every thing I can to put it through", and in 1905 we got a loan from the town. We already had our contract for eight

years, so after the voting was out of the way we got a loan from the town repayable in ten years, I think, of Thirteen Thousand Dollars, and about the same time we got a franchise. • We got a franchise from the Council, because we said to them, here, there has never been any dispute over our domestic lighting but we would like this thing cleared up, we don't want fights any more than you do, and so we got a franchise from the Town of Meaford giving us the right to transmit electric energy over the streets of Meaford. I have the Bylaw here, and all the agreements, and so on, in connection with it.

That was in 1905. We went on and we finished our power plant, and we organized our company, and I sold considerable stock. We took over the William Moore & Sons plant, and all we took was common stock for our plant, for our mill and our bakeshop, and land and water properties, and so on, which we had been under great pains to gather together at considerable expense.

One of the choice arguments that I used was this Connree Act. I said, as far as our property is concerned, this Connree Act has settled that the money you put into this plant will be treated fairly by the Town of Meaford, and by the laws of the land, and the consequence was that we got a certain amount of stock subscribed in addition to what we had in, and we went on with our development and spent between Thirty Thousand and Forty Thousand Dollars that year, and built a dam up the river, about a mile and a half, a long flume, about eleven hundred feet, a cement dam, and so on. We built it at probably half the cost it would cost to-day, but we put our money in the proposition in good faith, and supposed we were all right.

In 1906-7-8, along in there, Hydro legislation came. We wanted to put more money into our plant, get more stock,

but with the coming of the Hydro legislation it prevented us from that time on from doing anything at all, with regard to getting in more money, so we had to get along the best we could and meet conditions from that on.

In 1912 we got a further renewal of our contract for ten years, bringing it up to 1922. In 1922 a vote was put to the people of Meaford, asking them whether they wanted Hydro or not.

THE CHAIRMAN: Q--What time in 1922?

A--In January, I think.

Q--That is, a year ago last January? A--Yes, I am not just certain. It was either in 1922 or 1921, and our contract expired on the 1st of August, 1922, with the Town of Meaford.

In 1918 we began to suffer very heavy losses in connection with our business, and we had to give a mortgage to the Merchants Bank, with whom we were doing business, on practically all our property, which was fairly clear of debt, and we probably lost altogether Seventy Five Thousand Dollars in pretty nearly four years.

Q--How did you lose that? A--Well, we lost it. In 1918 - it wasn't altogether loss,-we had to spend about Twenty Thousand Dollars on our dam, on our electric plant, rebuilding one end of it, increasing the strength of it.

In 1919 we had a very bad fire in a mill that we owned, and we lost probably fifteen thousand dollars, or better, there, in hard cash. Unfortunately, we didn't have much insurance. It was at the peak of prices. We had considerable wheat bought to supply that mill, and contracts taken, and we had to sacrifice the wheat. It was at a time when prices were dropping very fast, and so on. We had more losses there, and losses in operation, losses everywhere, so that, in 1920, we had to give a

mortgage to the Merchants Bank on our property in order to satisfy them for the moneys that we had borrowed from them and had lost, and we did it, not with the written understanding, but with the implied understanding that we would be given a fair time in which to pay off this.

The Merchants Bank failed, and the Bank of Montreal took it over, and they immediately began to question our position, especially with regard to the value of our electric plant, because they said, from experience in Ontario, they found that people voluntarily took Hydro and, in most cases, the local plant got very little remuneration, and last year, in June or July, they told me that they did not see a bit of use carrying us on any longer, that there was no doubt if the vote was put to the people of Meaford, for Hydro, it would carry. That had been the case, and they looked upon our plant as gone, or nearly so. However, we did not like to feel that way. We were citizens of Meaford, and we knew the people in Meaford, and we had some faith in them, a little more so than the Bank of Montreal had, or thought we had, and we said, let us continue negotiations, so we came to Hydro and explained our position to Mr. James, and to Mr. Gaby, and Sir Adam Beck, and asked if there was not some possible way by which the value of the electrical plant in which we had spent altogether over One Hundred and Twenty Thousand Dollars could be protected, and Sir Adam told me he would do the best he could. Mr. James told me he would do the best he could, so Mr. Lucas went over with me to the Manager of the Bank of Montreal and said that our position was a hard one, and asked Mr. Northworthy to delay proceedings against us in the hope that something would materialise. Mr. Northworthy agreed to, and finally we took up a proposition to the Town of Meaford to buy our plant for

Fifty Thousand Dollars and the balance of a loan which we got in 1911 from them for the building of an elevator that belonged to us in Meaford, a public elevator, on which we gave our electric plant as security. About Eight Thousand Five Hundred Dollars was still due on this loan, payable so much a year.

After considerable negotiations, and work, we put this proposition to the Town of Meaford to be voted on in January, and, at the same time, the Council of the Town of Meaford put a proposition for Hydro, that is, to pass a money bylaw and take power from Hydro rather than from us. Their proposition carried by nineteen and ours was defeated by sixty nine.

COMMISSIONER J.A. ROSS: Q--You paid One Hundred and Twenty Thousand Dollars for this plant, approximately?

A--Yes, that is about what our payments show, from beginning to end.

Q--And, as I understand it, you offered to sell that plant for Fifty Thousand Dollars to Meaford?

A--Yes, I have the Bylaw here.

Q--Which would give you a loss of about Seventy Thousand Dollars? A--Yes, about that. I didn't include the mill, it was nothing but the electric plant.

THE CHAIRMAN: Q--The mill was included in the cost, the One Hundred and Twenty Thousand Dollars?

A--No, we spent that on our electric plant, and in order to show you that our spending was not entirely unacknowledged by Hydro, the Mayor of Meaford, Mr. Frank Kent, in 1915, applied to Hydro for a valuation of our electric plant, and this is the letter he received:

" As per request of your Council we have made valuation of the property of the Moore Bros in your Town and beg to submit herewith the result of same.

The valuation of the hydraulic portion of the plant was made by our Hydraulic Engineer about three years ago and we have taken into consideration those figures in making up this valuation.

The valuation of the distribution system was made during the past summer.

	<u>Replacement Value</u>	<u>Present Value</u>
Valuation of hydraulic development including excavation, embankments, penstock, flumes, steel-line, foundations, turbine, governor, belt, power-house, building dam, generator, exciter, switch-board, miscellaneous equipment, engineering superintendence power site privileges.	\$55,052	\$41,768
Steam generating equipment, including buildings, chimney, generator, exciter, switch- board, foundations, boilers, engine, miscellaneous steam and electrical equipment, engineering, etc.	17,464	9,502
Distribution system complete including all poles, street lighting fixtures, trans- formers, meters, etc.	<u>20,212</u>	<u>12,887</u>
	<u>92,728</u>	<u>64,157"</u>

That is signed by Mr. Gaby, Chief Engineer of the
Hydro Electric Power Commission.

THE CHAIRMAN: That is a copy of Mr. Gaby's valuation, Mr. Jeffery?

MR. JEFFERY: Yes.

MR. MOORE: That is signed by Mr. Gaby. Then I may say that another Mayor asked Mr. Gaby something about our plant, and on March, 1918, he wrote to Mr. A. Londry, Mayor, as follows:

" With reference to your request for a report on a power development on the Big Head River at Meaford, we beg to advise that our Engineers have made surveys and carefully investigated the possibilities of power development on the Big Head River at and year your municipality and the Commission have directed that this report be submitted for your consideration.

We are submitting herewith a blue print and an estimate covering the development and if any further information is desired we will be pleased to furnish same."

On May 9th, 1918, there is another letter to the Mayor, as follows:

" We herewith answer your letter of March 26th, in which you request certain additional information with reference to the proposed power development at Meaford. We are enclosing copies of our drawings Nos. 175 - D - 1 and 175 - D - 2, together with blue prints giving the tabulations of discharge of the Big Head River at Meaford.

With reference to the fourth paragraph of your letter, you are correct in assuming that this lower plant would raise the water to the 733 contour, but the tail water would be the elevation of the water above the Miller Street bridge, or approximately elevation 676. Drawing No. 175 - D 0 1 gives the

information requested in the 5th and 6th paragraphs of your letter. The flow measurements as shown on the blue print tabulations will give you the discharge of the Big Head River for the years 1916-1917. We believe that this data covers the information requested by you."

E S T I M A T E
COVERING DEVELOPMENT OF 600 H.P.
AT THE BIG HEAD RIVER-MEAFORD

This development, as per blue print on file at office, covers a concrete dam approximately 400-ft. long and having a maximum height of approximately 35-ft. and to be constructed at the site of the present timber dam.

An intake is provided with racks etc., to admit water to a 4-ft. wood stave pipe 8000-ft. in length and built to follow closely the 756 contour on the plan.

This pipe to be regulated by a surge tank of a differential type approximately 60-ft in height over all.

The plans provide for the water to be carried from the surge tank in a 4-ft. steel plate pen stock, ending in two branch pipes which would attach direct to the turbine casing.

The turbines would be horizontal, and inlet, globe case type and direct-connected to the generator. Each turbine is to be capable of developing 300 B.H.P. under a net head of 108 feet, which could be obtained by the scheme of development provided for herein.

The Electrical Equipment for this development

provides for two (2) - 200 K.W. generators, direct-connected to the turbines with belt-driven exciters.

A three-panel switchboard is also provided, including a control panel for each generator and one feeder panel.

A crane is also provided in the Power House for handling the equipment therein.

As our records of stream flow readings show that it is questionable as to whether there would be sufficient water the year round to provide for a 600 H.P. development, an auxiliary steam plant is provided for, to supplement the power development during the dry season.

Capital cost of this development according to the above conditions, works out to be as follows,-

Dam, pipe line, intake, surge tank, penstock, and branch pipes, power-house sub-structure, tail race and hydraulic machinery -----	\$103,000.00:
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Electrical equipment including two (2) - 200 K.W. generators, three-panel switchboard, power house crane, etc. -----	\$ 17,200.00:
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Building, super-structure - 30 x 40 x 15 ft. -----	3,600.00:
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Total -----	\$123,800.00,
Interest during construction - 3%--	3,714.00,
Engineering and Contingencies ----	18,750.00,

<u>GRAND TOTAL, without Steam Plant --</u>	<u>\$146,084.00.</u>
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Considering a Steam Plant auxiliary to consist of 1-300 H.P. engine, together with boilers and auxiliary equipment, including return tubular boilers and second-hand engine, we estimate the cost of same to total, with additional building space, engineering and contingencies and interest during construction -----\$12,500.00.

The TOTAL COST of this development, therefore, with Steam Plant, is estimated to be ---- \$158,584.00.

After making an investigation of this development, we considered a scheme similar to the one outlined above, with the exception that two dams on the stream were provided so as to utilize all of the available head. The excessive cost, however, of this scheme rendered same inadvisable.

Another scheme was investigated covering the building of a dam 300-ft. upstream from the proposed power house site and carrying the water in penstocks to the power house.

Owing to the extreme height of the dam and the soft and uncertain nature of the river bottom at the dam site, this scheme was also found to be inadvisable and too expensive.

Storage on the river was also investigated and was found to be too expensive to be considered in this development.

The flats above the present dam are beyond the drainage area and there is very little possibility of securing reservoir capacity at a reasonable cost.

The whole proposition while feasible, is far from being an attractive one and I would strongly recommend against the Municipality proceeding with the work.

As a development of 600 H.P. necessitates the installation of an auxiliary steam plant and as the amount of power available at the bus bars will approximate 533 H.P. with the installation described above, the cost of power at the bus bars works out to be nearly -----\$42.00 per H.P. per annum, and would necessitate capital expenditure on the part of the Municipality, of -----\$158,584.00

exclusive of water rights or land damages, it is quite obvious that power could be delivered to this Municipality from the Eugenia System, to better advantage.

In March 1915, we prepared an estimate covering the delivery of 300 H.P. to the Municipality of Meaford and at that time, it was found that this power could be delivered at approximately ----- \$34.00 per H.P. per annum.

Revised estimates have been made up covering delivery of power to this municipality under present-day conditions and it is found that 300 H.P. can be delivered for ----- \$44.29 per H.P. per annum, and 500 H.P. for ----- \$34.44 per H.P. per annum."

THE CHAIRMAN: Q--What caused the increase in the estimates? A--To Hydro Power?

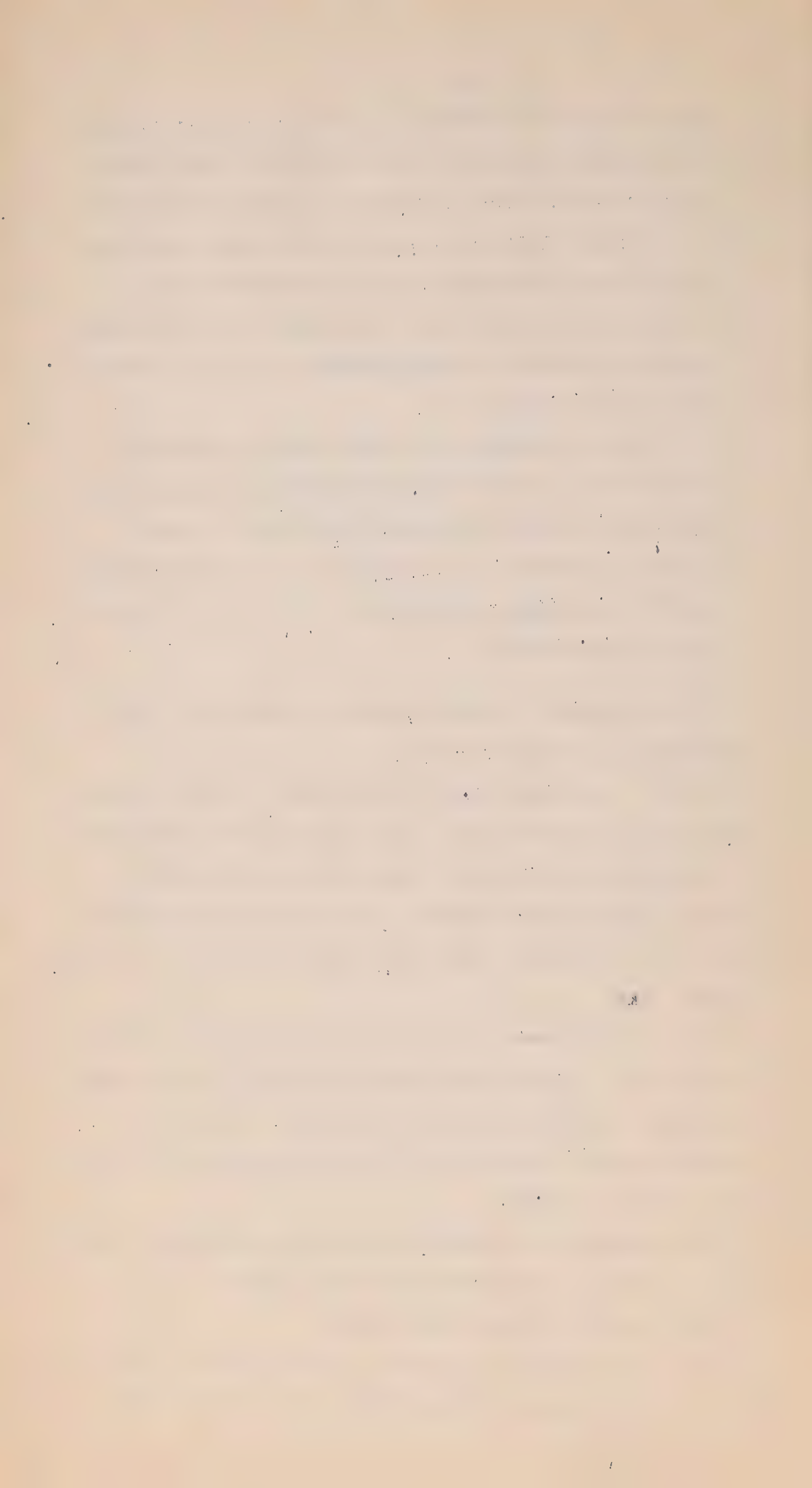
Q--Yes? A--Gaby's poor engineering, I would suppose, I don't know anything else. Any Engineer that can show up the price every time he talks about a proposition cannot be much of an engineer. That is what the private people are up against. Hydro can vary their plans as often as they like.

Q--Were the increased estimates given after the Bylaw was voted on? A--No, that was voted right on the Bylaw. The people of Meaford believed they were likely to be better treated after that and here is our proposition for Fifty Thousand Dollars.

MR. JEFFERY: Q--Was there any information given that wasn't correct in connection with that Bylaw?

A--In connection with which Bylaw?

Q--The Hydro Bylaw in Meaford? A--Not that I know of. All that I am saying is that at one time Mr. Gaby says \$34.00 or \$44.00.



THE CHAIRMAN: Those are the figures quoted, are they ?

A--Yes, \$34.00 or \$44.00, and he puts it up now to the people at \$74.00, and the people swallow it.

MR. JEFFERY: Q--For how many horse-power ?

A--They are on that statement. However, the people voted and voted us down.

THE CHAIRMAN: Q--Was this estimate published with the By-law ? A--Yes, it was published with the By-law. The people had every chance to see what they were doing, but the trouble is, as we see it now, or as we find ourselves up against, that the people knew that we were away from the protection of the Conmee Act and Hydro provided no method of purchase.

Q--Did the Hydro ever buy out any part of your development?

A--No, the Hydro did not. Hydro made it conditional with the Town whether they would buy our poles and wires or not.

Q--What decision was arrived at about it ?

MR. JEFFERY: The Hydro had nothing to do with the offer to the Town, the Town were handling their own business ?

A--I believe that is the policy.

Q--You just said the Hydro made it optional. We had nothing whatever to do with it, and there are representatives of the town here, I believe, who will give the facts in connection with it.

A--Do you mean to say I am not stating the facts ?

Q--Oh, no.

A--I think you should protect our interests a little bit.

Q--We didn't go into Meaford of our own accord. I have letter after letter imploring us to come in, by resolution and by letter.

THE CHAIRMAN: Did you send any of your men up there to address meetings before the invitation came to you ?

MR. JEFFERY: No.

THE CHAIRMAN: You never had any invitation ?

MR. JEFFERY : No. Our men who went up there had specific instructions not to enter into any local matters. I have copies of the instructions issued.

WITNESS : You are sure that your man observed instruction

MR. JEFFERY: He assures me that he did.

THE CHAIRMAN: Who was he?

MR. JEFFERY: Mr. James, and there are representatives from the Town who will be able to verify that statement.

WITNESS: The matter is just this : we suppose, so far as we three brothers are concerned, that we are down and out in the matter, but we believe that we are down and out largely as the result of special legislation passed by Hydro in 1907 or 1908. We believe that had we been under the protection of the Conmee Act, as we were when we put our original money in, we would have been treated differently, and would have come out differently.

We feel that our position today is largely the result of unfair legislation passed by the Province of Ontario at the instigation of Hydro in 1907 or 1908, and we believe that the Province of Ontario is too big to put small corporations out of business without a fair remuneration.

As to attacking Hydro, I only know this, that they have very, very zealous men who come out and act in their interests, and, unfortunately, because they are Hydro, the statements of these men are taken at 100%, whereas our statements with regard to the value of our plant, and so on, are largely discounted, owing to local conditions, and owing to the fact - I was going to say - probably knowing us better. I am not saying they know us to be prevaricators of the truth, or anything like that, but our position is a hard one, and we feel that Hydro might have, in some way, acted as a go-between, between us and Meaford, because we believe that

Meaford today would be better off owning our plant than they can be by Hydro bringing it in from Eugenia, unless something miraculous happens. Manufacturers coming to Meaford have to pay three or four times as much for power as in other places, and we do not see how Meaford can attract manufacturers at that price.

COMMISSIONER R. A. ROSS : Q--Is your hydraulic plant within the town ? A--The dam is about a mile and a half up the river, and lines, of course, come from the power house down to the Town.

Q--Your largest expenditure was there, I suppose ?

A--The heaviest expenditure was up the river.

Q--Would that have come under the Conmee Act ?

A--Yes, that is provided for under the Act.

Q--It is outside the municipal boundary ?

A--It is not only the plant within the municipality, but adjacent to it and used in connection with.

Q--I remember the Act very well, because I have seen a number of illustrations where it was used, but I had the idea back of my head that it only applied to properties within the boundaries of the municipality ?

A--No, I think you will see that it applies to properties that are used in connection with other properties in the municipality. For instance, we had to go outside of the municipality for the development of our plant.

THE CHAIRMAN: Q--What reason did the Hydro give for creating a development of its own there, when, according to the estimates given by Mr. Gaby, power could be produced from your plant at considerably less than they could supply it ?

A--Well, As Mr. Jeffery says, Mr. James, I fancy, had his instructions not to go into a comparison of the plants, simply to state Hydro's case and let the people decide. That was what was done on the platform; I am told that necessarily Mr.

James had to make statements off the platform which had considerable weight. What they were I am not prepared to prove. I have heard what they were.

Q--What did you hear that they were ?

A--I heard that he said, in the first place, that \$74,00 a H.P. was not the price that Hydro would have to stand to for long, that they were really compelled by a certain member on the Hydro Commission, who was supposed to be favouring us, that this member of the Commission made it necessary for him to quote us a price that was higher than what it would really work out to.

MR. JAMES: Mr. Chairman, I would like to contradict that, I made no such statement as that.

THE CHAIRMAN: I wanted them to state that, so that you could have an opportunity to confirm or deny it, Mr. James.

WITNESS: He said this on the platform: "There is no doubt, if the people of Meaford get their shoulders under the scheme, that it would not be long before they would be requiring a great deal more horse-power, and their rates would come down", and when I attempted to enter into a discussion with him, the Chairman, Mr. Horsley, the Mayor of the Municipality, shut discussion off, and said that he proposed to allow Mr. James to say what he had to say, and he did not propose to allow any discussion, and of course, I bowed to that decision. I felt very bad about it, because Mr. Horsley didn't have the amount at stake in Town that I had. While he was Mayor he didn't own any property in Town, not because he couldn't own it. He didn't even have a vote on the By-law that was to be brought on a little later. He was Mayor of the Town, a first rate fellow, and all that kind of thing, but a man absolutely who had no interest in the Town, or any faith in the Town's future, because he won't even buy a home there, and

I felt hurt about it. I thought I should have been allowed to discuss the matter in a friendly way with Mr. James, but I was overruled, and, therefore, could not bring out a few points that I had thought of, and I did not want to make any antagonism, because there was so much of it in the air. I wanted to, if possible, get our By-law passed. I thought it was a fair proposition to the Town, and I may say that if the By-law had passed the amount of money received for the sale of the plant would have enabled us to settle with the Bank, and we would have had the rest of our property to settle with our other creditors, and probably would have been able to pay them in full, or nearly so, whereas under the present arrangement, the mill is shut down, the bakery is shut down, the plant is being run by the Town, and the rest of our property is being sacrificed very fast, so that the chances are that not even the Bank will get paid in full. I believe that, since the assignment, the assignee has offered the Town our plant for \$35,000, and on account of the Hydro By-law being passed, and signed, the Council have refused to have anything to do with it, even at that offer.

We would not like to see the plant sold at that price, we would feel very bad about it.

I am also told that the Mayor and Council of the Town have offered the assignee \$3500 for the poles and wires on the streets. Now, according to our engineers estimate, that plant was worth \$22,000 a couple of years ago, and, according to Mr. Gaby's estimate, is worth \$12,000.

This whole situation, as it stands at present, is because the Town does not have to buy. We went on with our development from 1889 up to the present time, because we could not get out of it. Our position was such that if we dropped out it would entail a big loss.

THE CHAIRMAN: --You could have provided, in your

franchise, for the Town to take over your property at a valuation in the event of your discontinuing the contract. ^{that} ^{as}

A--Well, along came the Connée Act, and we had ^{that} ^{as} Act
our protection when we started in up the river.

Q--There was continual agitation against the Connée Act ?

A--Well, not up in our section, because it did not come up until 1903. As the files of this paper here will show, in 1903 we discussed the thing in every bearing, both publicly and privately, with the Council, and so on. But the Council feels now that they do not have to pay ~~us~~ for all our years of work in connection with the electric plant. The profits of it, I may say, ^{had} an account of our inability to continue to go back into the plant for improvements, we could not keep the plant running, and we were under contract.

THE CHAIRMAN: Q--Would the Hydro have power to buy your plant now ? A--I don't know, I suppose the Hydro has power to do anything, I don't know anything they haven't power to do.

MR. R. J. McLAUGHLIN: They are not offering to buy it?

A--No, they are not offering to buy it. I don't think it would probably suit Hydro, probably not big enough. However, I do think Hydro could step in today and buy our plant and develop it properly, and it would be the cheapest kind of development the Town of Meaford could take.

THE CHAIRMAN: They might not use very much of your property in connection with their permanent development there ?

A--There is always that to it, of course, about a new development. I could go up to Eugenia, knowing as little as I know about it, and I could develop more power than Hydro is doing today, but I would have to scrap some of their plant.

Q--As a matter of fact, when the Hydro comes in there and

carries power in from Eugenia what will be done with your plant, will it be used just as a milling proposition ?

A--I am afraid not, I don't know. It would be a big overhead and a big risk to carry. Our mill is only a 200 barrel mill, and as I say, it would be a big overhead carrying a 200 barrel mill, and it would be a big risk also for a small company to carry.

MR. A. O. HOGG : Q--Did they offer to supply enough power for Meaford from Eugenia ?

A--I understand so, yes. I understood that the power comes from Eugenia, although Mr. James admitted it didn't come from Eugenia, it really came from the Severn.

THE CHAIRMAN: Carried across on the tie line.

A--That they were using Eugenia more as a peak load proposition at the present time.

MR. R. J. McLAUGHLIN: Q--How much power are you developing ?

A--Our water-wheels develop about 400 H.P., and our steam plant about 250.

MR. JEFFERY : Q--During how many months of the year ?

A--About eight months in the year, and the other four months,-- whatever the season happens to be. Some seasons differ.

THE CHAIRMAN: Q--What capacity for consumption has Meaford now? A--Why, I would say that we are probably selling about fifty outside of the one hundred and fifty in connection with our work, that is, we were using 150 H.P. ourselves. Altogether, I think about 400, at times. During Christmas times, and so on, the peak load would run up to 400. I have seen our water-wheels doing their full work.

Now, Mr. Chairman, I don't know that this is a proper thing to bring before you or not, but we don't know where else to go.

THE CHAIRMAN: What do you want, Mr. Moore ?

A--Well, I would like to have this power receive its fair value from somebody.

Q--That is, you want the Law changed so that these things will not be possible ?

A--I don't want to feel that a proposition like this should receive the treatment it is receiving at present. We three brothers have spent much time on this proposition of ours, a proposition which has done so much for the Town of Meaford, and is today doing work for the Town, and I think that steps should be taken to make it impossible to have it rendered practically valueless, because a Town has a right under the Special Hydro Legislation which it did not enjoy under the Legislation that we were protected ^{by} in 1903-4-5, when we developed.

For instance, I believe, in fact, we know that influenced the people against our vote, that we were likely to go into insolvency if this vote did not carry, and I know it was said to me personally, why, go into insolvency, what do we need to care, we will get somebody else to run the mill, and we will buy this plant for a song.

Q--Well, it is all done now ?

A--Everything is done now.

Q--Although the Law was changed later on it would not affect the situation with you ?

A--Yes, because the Town of Meaford today does not have to carry out its bargain with Hydro. I believe no contract has been signed by Hydro, and I believe further representations have been made for further consideration, and I understand that further consideration is being given to this Hydro contract. I believe, however, that the Mayor of the Town of Meaford, the Council of the Town

of Menford, have signed it, and are willing to go through with it as per the vote of the people. I understand that the assignee has requested that this matter be given further consideration, in fact, Sir Adam Beck told Mr. Hogg and myself that he was holding back the signing of this proposition until he further inquired into it. He said it only had been brought to his attention two weeks ago. I personally brought it to Sir Adam's attention three months ago, and talked with him for half an hour. Apparently he had forgotten all about it. I also talked to Mr. Gaby one day, and about half way through my conversation he got up and left and I have never seen him since, therefore, I wasn't able to give my full report to either of them. Apparently, it did no good to Sir Adam, because he never thought about it again.

THE CHAIRMAN: It is a matter, really, that rests with the Hydro Commission, or does it ?

A--I would say absolutely. I would say, Mr. Gregory, that when the Legislation was passed by the Parliament of this Province it was not intended to put a Company like us out of existence.

Q--The Hydro Electric Power Commission has the right to do for you everything that the Conmee Act did. for you.

A--I think so, although they do not apparently act that way.

Q--It is a matter of administration.

A--Yes, I have no doubt it is, but you see it is a terrible hardship.

Q--We can quite understand that, Mr. Moore, but, as I say, it is a matter of administration.

A--Yes.

THE CHAIRMAN: It is now after one o'clock
some time.

MR. MOORE : Mr. McLaughlin has said that
he will watch over my case here.

THE CHAIRMAN: You will have to take this up
later, because Sir Adam Beck is to be here, and we
want to hear what he has to say about this, and also
the Eugenia matter.

We will adjourn now until half past two.

The Commission adjourned at 1.20 P.M. Tuesday,
27th. February, 1923, until 2.30 P.M.

AFTERNOON SESSION

27th FEBRUARY, 1923.

THOMAS J. HANNIGAN: -- called.

THE CHAIRMAN: There are a great many questions we want to ask you, Mr. Hannigan, but there are several other matters coming up today, and so we will defer your general examination until perhaps tomorrow.

MR. HANNIGAN: As long as you do not put it on the 17th of March it will be all right, because I am not available that day. You want me again tomorrow?

THE CHAIRMAN: I rather think so; I am not sure whether it will be tomorrow or not. I thought we would take it up now, that is, the matter of the recent campaign in connection with radials carried on in the municipalities in November and December, and in which you took a part.

COMMISSIONER HARRIS: I think we could go on until the others are ready.

THE CHAIRMAN: Very well.

Q--What did you do in connection with that campaign?

A--Waited on the municipal councils, and discussed the propositions with them.

Q--What councils, for instance? A--Let me see--

Q--Begin at the east and go west? A--Etobicoke.

Q--Etobicoke wasn't in this campaign? A-- Oh, yes. You see, those municipalities all the way from Toronto to St. Catharines had to pass a resolution confirming what had already been done by the electors at a previous vote.

Q--And Etobicoke had not passed the resolution?

A--Well, the legislation of last session, Mr. Chairman, provided that they might go ahead under the old Act if the council s passed a resolution confirming what had been done

by the electors. If the council neglected or refused to pass the resolution then they must allow the people to have another vote on it, or if the council did pass it and 15 % of the electors wanted to vote then they would automatically vote.

Q--Well, Mr. Hannigan, -

A--You asked me why I went to them and I am telling you.

Q--They were going to vote ? A--Etobicoke, no. I talked to that council, I went to the council.

Q--But that must have been before, I mean, as to whether the electors voted on it ? A--OK, yes.

Q--I thought Nelson was the most easterly township ?

A--Nelson was the most easterly township that voted, and Hamilton,

Q--Burlington ? A--Burlington and Hamilton. Burton voted but I didn't know about it till election day.

Q--The next ? A--The next north would be Grimsby, I believe, north Grimsby, Grimsby town, Beamsville, Clinton Township, Louth Township, Granton Township, and the City of St. Catharines.

Q--You not only interviewed the councils, Mr. Hannigan, but you had the management of the campaign amongst the voters in the Townships where the vote was taken on the first of January ? A--Well, first, the councils were interviewed and the matterx discussed with them.

Q--Let us leave that behind and go on with the other.

A--If you will just tell me what it is you want me to go on with.

COMMISSIONER HARRIS:

Q--What did you do with these councils, what object did you have in going to them, what did you try to get?

A--We had copies of the legislation that had been enacted at the last session, and the Act was read over to them, and

then the council decided they would either pass the resolution or they would vote.

THE CHAIRMAN: Q--Just let us deal with those cases where they took the vote, either through the action of the council or the inaction of the council, in connection with that campaign which culminated, on the first of January, in the vote of the electors; just deal with the getting out of the electors to vote, and the meetings held amongst them. What did you have to do with them, and when did your campaign for what begin? A--That began, roughly speaking, about the middle of November, or perhaps the campaign really began the first of December, because we did not know up until that time which municipalities were going to vote, and it was not until then that the committees were arranged in the different places.

Q--Did you have general charge? A--I had general charge, yes.

Q--Then you would arrange for committees in the different municipalities? A--Yes. In some place the council was the committee, and in some places some members of the council and others were a committee. Where the council took charge of it that simplified matters. Where some members of the council, two or three of them, were in favour, and two or three probably against, the ones in favour organized a committee.

Q--Who did the financing? A--The committees, and those that they got to help them.

Q--Did they open committee rooms?

A--I had a committee room in Hamilton.

Q--One or two? A--Let me see. I had a central committee room, and I had a couple of committee rooms down in the east end where ^{what} you might call the industrial section was located.

Q--Any others ? A--Then there was a committee room in Beamsville, and one in St. Catharines.

COMMISSIONER HARRIS : Q--Who paid the expenses of those? A--The Hydro Commission.

THE CHAIRMAN: Q--Any other committee rooms ?

A--No.

Q--None in Burlington ? A--No.

Q--Who had charge of the campaign in Burlington for you ? A-- Mr. Cleaver.

Q--Mr. Hughes Cleaver ? A--His father.

Q--E. H. ? A--Yes.

Q--And in Nelson? A--They looked after Nelson and Burlington, so I understood. I wasn't there very much except to address meetings ?

Q--Who had charge of it in Hamilton?

A--I had.

Q--You had direct charge in Hamilton ? A--I had direct charge in Hamilton.

Q--And in those other Townships, well, say in St. Catharines?

A--In St. Catharines, a man by the name of Pringle, a resident of St. Catharines .

Q--What is his first name ? A--James Pringle.

Q--Anybody else ? A- And in Beamsville, Fred B. Fairbrother. That is, they had charge of the office, you see, where we would send out our literature from.

COMMISSIONER HARRIS : Q--Were they paid ? A--Yes.

THE CHAIRMAN: Q--What was paid to them?

A--Roughly speaking, four or five dollars.

Q--What about Burlington, what did you pay there?

A--I don't think there was anything paid there except advertising and postage and things of that kind.

Q--Did you pay anything for services in any of these places ? A--No.

Q--Did you have any canvassers in Hamilton ?

A--We had a lot of canvassers everywhere .

Q--What did you pay the canvassers ?

A--We didn't pay the canvassers.

Q--Not at all ? A--No.

Q--Did you have scrutineers on election day ? A--Yes.

Q--Did you pay them anything ? A--The committee arranged for the scrutineers, we didn't pay them.

Q--You didn't pay any scrutineers ? A--No.

Q--What about getting out the outside vote, getting it out, say from Hamilton to Nelson Township, who would look after that? A--Well, I don't know who would look after that, I don't know.

Q--Well, it was got out ? A--I don't know whether it was or not, I am not sure about that.

COMMISSIONER HARRIS : Q--You kind of fell down in managing the campaign, didn't you ?

A--Well, I thought so after they counted the vote in some places.

THE CHAIRMAN : Q--Did you pay anybody in St. Catharines?

A--Yes. The Commission have all the vouchers for all those things.

Q--Are you sure that no persons were paid for canvassing looking after voters ? A--The Commission have all the vouchers for all the money expended for them.

Q--Did you get any subscription from anybody to help towards the campaign ? A--Well, just a moment, Mr. Chairman, till I see what this subpoena says. I think this is particularly referring to the Commission is it not?

Q--Oh anything that has a bearing on this, we are here to inquire generally into all expenditures of the Commission, and all administration of the Commission.

A--Yes, but nothing any individual did outside the Commission.

Q--Well, you are an official of the Commission, you were employed by them ? A--Yes, employed by them for that particular campaign .

Q--You were employed by them for that particular campaign, and you did certain things, you were their representative in the matter. Now, we want to know what you did. You got subscriptions from some persons ?

A--No, I cannot say that I got any subscriptions from any individuals.

Q--You received money ? A--No, I didn't receive any money.

Q--Well, what do you mean by "subscription" ?

A--Well, I didn't.

Q--You got financial help, did you not, from some persons?

A--Not directly .

Q--Well, indirectly? A--There may have been expenses looked after indirectly, but they didn't come through me.

Q--Well, now, to your knowledge, who provided the money to meet those expenses ? A--I cannot say.

Q--What sort of expenses were they that were met in this way ? A--Well, now, I cannot tell you that because my work consisted solely of work for the Hydro.

Q--Well, you were pretty well in touch with the whole situation, with the people who were carrying on the campaign. You must have known who were giving aid, financial aid ?

A--I wrote the advertisements, and got out the printing saw that was distributed, and addressed meetings almost every evening, and sometimes almost three or four meetings a day. I did that during the whole campaign.

Q--Now, what I want to find out is where the money for this came from. Some came from the Hydro, and some came from other

sources, and I think you ought to tell?

A--I think the Hydro Commission have a list of the expenses.

Q--Now, those outside sources of supply, how much came from them ? A--Well, I cannot say as to that, I don't know.

Q--Well, you know money came from other sources?

A--Well, I don't know it so that I could tell you definitely that I know it.

Q--Well, what did you hear about it?

A--Mr. Chairman, hearsay is not evidence.

Q--Oh yes, the very strongest evidence sometimes?

A--I am only telling you what I know.

Q--We would like to know what you heard too ?

A--I am not here to repeat rumours.

COMMISSIONER HARRIS: Is he under oath?

THE CHAIRMAN: Perhaps he had better be.

COMMISSIONER HARRIS: Q--Who paid for the advertising in the local papers ? A--Well, I did for some of it, and some of it has not been paid for.

Q--You paid for the advertising in the local papers in St. Catharines ? A--Yes.

Q--Do you know how much you paid for that ?

A--No, not off hand, because there were two or three different printing bills there. There was \$150 or \$175, I cannot give you the exact amount without the sheets before me, of the Standard, and there was printing done by another concern there.

Q--Was that the Standard's complete bill ?

A--As far as I know, it was.

Q--You got a lot of printing for that didn't you ?

A--Yes, we got a lot of printing for that. Of course, the Standard has always been a pretty strong Hydro paper and

they used their columns very extensively for that.

THE CHAIRMAN: Q---Has the Hydro any interest in the paper , does it own any interest in it? A--Not so far as I know.

Q--Does it own any of the plant that is there, that is, used by the paper ? A--I don't think so, I never heard of it.

Q--Did you contribute anything for the upkeep of the plant ? A--Not so far as I know. We got bills for the printing that was done and I paid them.

Q--Did you check them over with the advertisements that appeared ? Yes.

Q--Did that cover all the advertisements ? A--Yes.

Q--Did the paper get any money from any other source for helping in the campaign ? A--Well, I don't know, not as far as I know they didn't.

Q--What other papers out there did you pay?

A-- I will tell you in a moment. All the papers from St. Catharines over to Beamsville. I had some printing done there, and some printing done by the Grimsby paper, the Grimsby Independent, and some done by the Burlington Gazette, and some with the Hamilton Spectator, and the Hamilton Herald, and quite a lot of job printing with the job printing plants .

Q--Mr. Hannigan, I am told that a number of people who were canvassing were paid. If they were paid where would they get the money from ? A--They must have got it from some private source. I heard that in Hamilton.

Q--Well you know they did , as a matter of fact?

A--T. J. Stewart told me. He said "There is a lot of money going, I understand". Well, I said, there may have been, T. J., you are on the side to know.

Q--Well, you knew it too, didn't you ? You knew men were being paid there for working ?

A--I heard men were being paid.

Q--And you have every reason to believe that the statements made were true ? A--I don't think the Hydro Commission paid anything.

Q--No , I am not saying whether they did or not, but they were paid from some source.

A--Oh, but I don't know that it was for canvassing particularly, although I guess it was for either canvassing or distributing. I know I personally paid men for distributing our literature for instance.

Q--You say you didn't pay the men for canvassing are you sure ? A--Just a minute till I see. I will show you what we did. This is what we were distributing, a lot of printed stuff like that. Now, look, no I didn't pay any men for canvassing, but men who distributed those, naturally in distributing them, did some other work as well. They were distributing these for the Hydro Bylaw, and you might call that canvassing.

Q--No, I wouldn't call that canvassing. They were men around amongst the voters getting them out ?

A--They were distributing from house to house, Mr. Chairman.

Q--Tell us now about these people who were paid from other sources than Hydro . How many of them would there be ?

A--I don't know.

Q--Wasn't there an army of them ? A--Well, I don't know what would constitute an army.

Q--Now, I want you to tell us. You have told us what Stewart told you, and I want you tell us what other people told you as to where this money came from. A--Well, I cannot tell you that Mr. Chairman.

Q--Why not ? A--I don't know that anyone told me where it came from.

Q--Well you intimated just now, I thought, that people had told you ? A--No. There was a lot of talk in Hamilton about money. For instance, I had men come in to me , different ones, wanting jobs, asking me to do this and do that, and I said we haven't anything.

Q--Where did you send them to to get a job ?

A--I didn't send them anywhere .

Q--Where did they go to ? A--I don't know.

Q--They got the job didn't they? A--No, there were men around there continuously. In the office there I had quite a staff, but if I had employed in my office all the people that came there looking for jobs, I wouldn't have room enough.

Q--You said just now that you heard about a number of men that were employed, and what I am trying to get at is where the money came from ? A--I may tell you, Mr. Chairman, that I heard people say about men coming there, and asking how they were going to vote.

Q--I am not talking about that, but I am talking about these men who were out canvassing and who were paid for their time. What I want to know is where the money came from, and who paid them ? A--I cannot tell you that, Mr. Chairman. You will have to find out from some other person.

Q--You could tell me if you wanted to ? A-- I don't think I could.

Q--You might make a try at it ? A--No, I don't think I could.

Q--Have you any idea at all ? A--No definite idea .

Q--Well, an indefinite idea ? A--Mr. Chairman, I don't think it is fair for you to ask me to make a guess.

Q--I am not asking you to make a guess. You say you have

an idea as to where it did come from ?

A--I tell you I don't know exactly.

THE CHAIRMAN: I think I had better swear you in this.

THOMAS J. HANNIGAN, sworn - Examined.

THE CHAIRMAN: Q--Now, I want you to tell me where you heard this money came from ? A--I didn't hear, sir.

Q--Where did you find out, where did you get these ideas from ? A--I heard a lot of talk about money going on both sides, a lot of it.

Q--And, you knew a lot of money was going on both sides did you ? A--No, I did not.

Q--Did you know anyone was being paid for canvassing ?

A--I may tell you that I had quite a time getting money when I wanted it for the expense that I needed.

Q--You told us that you didn't spend the money for this purpose, but you got the idea that other persons did spend it ? A--I spent quite a lot of money.

Q--Where did you get that from ? A--From the Commission.

Q--For canvassers ? A--No, sir. They gave me an advance, and then I would send them in a list, you see with the vouchers for anything expended, and they would send me back that amount. That was the way that everything was handled.

Q--But you have, I gather from what you say, a pretty fair idea that there was a great deal of money spent that did not pass through your hands. Now, I am asking you where that money came from. You have an idea but you don't wish to tell me what it is ? A--I said I cannot tell you at the present moment?

Q--Why not, do you think it would be a breach of faith on

your part to tell me ? A--I don't know exactly.

Q--I am not asking you to tell me exactly?

A--I don't think you should ask me to tell you something that I don't know.

Q--I am asking you to tell me what you do know, and what you heard ? A--Well, I don't think I should be asked to tell you what I heard, and I have already told you that I don't know definitely.

Q--No, I think it is quite likely. People who spend these amounts of money take care that other people do not know definitely, but you knew pretty well the money was being spent; you heard, or had an idea, as to where it came from, now I want you to tell us where you heard it came from ? A--I am telling you I don't know where it came from, that is, any money that was spent in that way.

Q--But you heard ? A--No, I didn't hear.

Q--Where did you get it from if you didn't know and didn't hear ? A--People gather things from many sources without being able to put their finger exactly on the spot.

Q--I didn't say exactly on the spot, but put it as near as you can to the spot ? A--Well, I cannot.

Q--Why not ? A--Because I don't know.

Q--We are just going round in a circle. A--I am simply telling you that I cannot say for I do not know.

Q--You can say what you heard ? A--No.

Q--Why not ? A --Well, I have heard so many things.

Q--That is just what we want to hear, you are the head and the centre, and we want you to enlighten us on those things. A--Mr. Chairman, you know that during a campaign you hear many things from many sources, and you just let them pass in one ear and out the other.

Q--I am quite satisfied, Mr. Hannigan, from what you say that

some of these ideas did not pass out of your mind, and they are there now. We want to find out what they are, and you are better able to tell than anybody else what was going on. You might give us the ideas you have yourself.

A--Of course, Mr. Chairman, if this information had been of value I might have gathered it.

Q--Then perhaps you had better gather it ? A--I didn't have any idea at the time.

Q--How long would it take you to gather it ?

A--Well, I don't know.

THE CHAIRMAN: I will have to ask you to step aside, Mr. Hannigan, for the present and we will take this up later.

SIR ADAM BECK - called.

THE CHAIRMAN: Sir Adam, at the sitting last week, Mr. Clarkson, and Mr. Pierdon told us that accounts amounting to some eleven thousand dollars for expenditures in connection with the campaign for radials last November and December had been paid out of the funds of the Commission, and Mr. Clarkson told us that was a payment which was unauthorized ^{by} law and was an illegal one. Now, assuming that to be the case, how did it come that it was made?

A--Well, I probably had better tell you just what lead up to the expenditure of this money, that is, the obligating of ourselves to spend money that would be necessary to cover certain expenditures on account of the submission of the Bylaws in the various municipalities; they were to include salaries of employees engaged in the submission of Bylaws to municipalities from November 1st, 1922, to January 31st, 1923, and travelling expenses of employees, and speakers, publicity expenses, including the printing of Bylaws in the 10 to 15 municipalities. That was an estimate that was submitted at the request of the Prime Minister. I suppose you have got copies of those.

Q--How did the Prime Minister come to make such a request?

A--Well, I think originally it came from the Mayor of the City of Toronto in discussing the advisability of submitting Bylaws in these municipalities. It was the general impression of those that were responsible in the various municipalities that unless the statements that always are being made by those opposed to them were answered, and unless meetings were held and those matters explained fully, and also the matter of explaining the Bylaws, and the Act as amended, and under the form they were to be submitted, there would be

no need of spending money on the part of the municipalities for the purpose of voting on these bylaws, it would be better to let the matter drop entirely.

The Mayor, I think, had conferences with the Prime Minister, - and I think Mr. Currie, one of the members for Toronto, undertook to confer.

Q--Did the Mayor see the Prime Minister?

A--I understood so, yes, and I know Mr. Currie told me in my office that he had seen him, when he saw him about another matter, he brought it up. He told me he was endeavouring to have the Government consider the justification of spending some \$28,000 on these bylaws, and that is all I knew about their end of it.

Ultimately, it came to the time when it was necessary for these municipalities to decide. They had so many weeks previous to the election. They were writing and wanted to know the form of bylaw to submit, and so on.

Q--Sir Adam, you speak of the Mayor and Colonel Currie seeing the Prime Minister. Do you recall when that was?

A--No, I don't know, only what they told me. I don't know that they saw him, that is personally, I don't know only what they told me. That is what they had in mind, and what I understood they did.

Q--Would that be in October? A--I don't know. It was previous to the time we were preparing to submit these bylaws. I didn't seek the information, but it originated in that way.

We were obliged to do a good deal of work, sending of engineers out, and so on, as we always have done, and others that were conversant with the matter, and I made an appointment with the Prime Minister myself. I didn't keep any record of the dates, other than I think my dates are pretty accurate, and I have some correspondence here. I don't know

just what it is you want to know.

Q-- We would like to know all about it, Sir Adam?

A-- At any rate, I met the Prime Minister about the end of October, probably the week previous.

Q--October was the conclusion of the financial year, I suppose? A--Yes, it was the end of the year, and I told him what we had in mind, and what the Municipalities wanted to know, that it would be necessary to have moneys for the purpose of paying expenses. I told him the purposes, speaking at various meetings. For myself, I think I spoke at half a dozen or so outside of the City of Toronto, and I told him that I would take care of myself so far as that was concerned, but it would be necessary to have our own organization, and probably other speakers, that the speaking would be confined to the subject, that we were not political, I inferred. The Prime Minister then ^{asked} that I write him and give him an estimate, as near as possible, of the amount that would be required. Twenty Five Thousand Dollars had been discussed, and the purpose for which it was intended to use this money. I wrote him.

Q--Perhaps you would read what you wrote him?

A--I wrote him and took it up personally. I took it up to the Buildings, to his office, because I was anxious. It was getting to the end of the month, and I was anxious to know his views:

"Dear Mr. Drury:

Referring to your communication of recent date in connection with the disseminating of information regarding the radial question and the submission of bylaws in the municipalities voting upon the Hydro Electric Railways between Toronto and Niagara Falls; I understand that you are in agreement with the suggestion that it might be best to

meet the expense of such procedure by Special Warrant.

I am therefore enclosing you herewith an approximate estimate of the anticipated expenditure in connection with such work, namely:-

Salaries of employees chargeable to submission of By-laws to municipalities from November 1st, 1922, to January 31st, 1923 \$4,500.00

Travelling expenses of employees and speakers \$1,500.00

Publicity expenses, including the printing of By-laws in 10 to 15 municipalities \$3,000.00 to 3,500.00

Total \$9,500.00

You will of course understand that no more money will be spent than is actually necessary in order to place the matter fully before the public, and I believe that the above amount would be an outside estimate on the carrying-on of this campaign from November 1st, 1922, to January 31st, 1923.

I would be pleased to have you arrange for the issue of a Special Warrant so that this work may be continued after the 1st of November, 1922."

The letter of recent date was October 17th.

THE CHAIRMAN: Perhaps you had better read that letter, if that was the first.

SIR ADAM BECK: The letter of the 17th reads as follows:

"Dear Sir Adam:

I have before me your letter of October 4th.

I note that there are no funds available in the fiscal year beginning November 1st next, for such work as is required in the disseminating of information regarding the radial question in the municipalities which are to vote upon it. I note also your suggestion that either of two plans might be followed:

First--That the Government might meet these expenses by Special Warrant.

Second--That the Commission might go on and spend the moneys without any Warrant on the understanding that they would be voted at the ensuing Session of the Legislature.

I think with you, that the first plan is the best.

I would be glad, therefore, if you would send me such information as to the amount of money that would be required for the purpose you suggest, as will enable us to deal with the question intelligently. I think that since a Special Warrant is required a detailed estimate of the expenditures should be given."

COMMISSIONER HARRIS: That letter is dated October 17th?

SIR ADAM BECK: Yes, and my letter to the Prime Minister is dated October 24th. Now, I submitted it to the Prime Minister and he expressed his surprise that the amount was such a moderate one.

THE CHAIRMAN: Did you see him after you sent that to him? A. No, I took it to him.

Q--It was then he expressed his surprise?

A--Yes, he thought it was very reasonable, and my explanation, the statement I made here setting out what it was to be used for, was quite clear in his mind, and so on, and I told him it was very urgent, because the end of the fiscal year was at hand, only a few days more, and the Prime Minister said he thought he should have it a day or two before, because he would have it taken up with the

Ministers at the weekend. He said it would necessitate him bringing the Treasurer and others to town. The first was probably Wednesday or Thursday of the week. However, on the Monday I was anxious to know what had been decided by the Cabinet, or by the Prime Minister, and I called up and Mr. Wallis told me that it couldn't be taken up, it would be taken up on the following day.

Q--That would be the Prime Minister's deputy? A. Yes. The following day I called him up and asked him what was being done, and he said it was being considered at the meeting of the Cabinet at that time. I think it was in the afternoon. I said I would call him up later. I did call him up later, and he told me that the warrant had been passed and would issue, and the amount I had set forth, or whatever they were discussing, was passed by the Cabinet.

Q--That was the 31st? A--I don't know, the 28th-29th-30th or 31st, it was one of the last days of the month. I did not make any note of it. I spoke to him from the Board Room of the Commission, I remember that. I don't know who was present,-- Mr. Gaby was present, and I told him what Mr. Wallis said. However, I do not think Mr. Wallis will dispute that. Some days, or some weeks afterwards, I hadn't any further word, not in writing, that is, no written authorization. Then the Engineers went out, in fact, had been out a few days distributing or leaving these Bylaws with the municipalities, because I believed it was urgent that they should know, to comply with the law in submitting them. Although we had nothing specially to do with it, I don't think I would have recommended, in any way, the submission of these Bylaws unless we had the funds to carry on the necessary work that would make available information to the voters, so that they could

vote intelligently.

Q--Sir Adam, was it, as nearly as you can tell, Mr. Drury that told you that the Warrant had issued?

A--I did not say that Mr. Drury said so.

Q--I thought you said you spoke to him?

A--I said Mr. ^{Wallis.} . I asked the Deputy, and the Council was in session at the time, and I told him I would call him again, and when I did call him later he told me definitely that the Council had approved of it.

Q--And that would be some time between the 28th and 31st?

A--I think that was on the Tuesday. I don't know whether there is any other correspondence. I also spoke to Colonel Carmichael at the meeting.

Q--What meeting was that? A--I don't know, I haven't got the date, but he told me it was all right.

Q--That was a meeting of your Commission?

A--Well, he was in the office. I presume it may have been on a day he had a meeting.

Q--He told you what? A--That it was all right.

Q--Would that be before or after this conversation with Mr. Wallis? A--That was subsequent, I think. Now, I wouldn't be sure of that. Well, then, at a meeting of the Commission I told them the Warrant had not arrived, and I was anxious about it, because we had made the commitments.

Q--When you say the warrant - A--I don't know, the authority that the Council would give us to go on with the expenditure.

Q--That would be an Order in Council, I suppose?

A--I don't know what it was, but I presumed, from what Mr. Wallis told me, that it was all satisfactory, and there was another matter that was brought up at one of the meetings about the securing of the necessary money to buy some

one-man cars.

Q--But did anything take place during November except this conversation, Sir Adam, with Colonel Carmichael?

A--No, this is December.

Q--Yes, but your conversation with Mr. Wallis towards the end of October, and then your conversation with Colonel Carmichael you said you thought was shortly after that? A--Yes, some time in November.

Q--Did anything else happen in November except that?

A--No, I have no record of anything.

Q--Did you make any inquiry as to whether the Order in Council had gone through?

A--No, not until December. We went on then, our men went out. Mr. Hannigan, who was Secretary for the municipalities, took charge of the meetings, arranged meetings, and any publicity that was required I think he always attended to it.

Q--Mr. Hannigan says you paid him so much perday for his work in this campaign, do you recall what you paid him? A--Yes. That matter was brought before the Commission, and the Commission decided at one of their meetings to put him on the list the same as an Engineer who was paid a fixed amount of money.

Q--Put on the salary list the same as an Engineer?

A--I think he was. Now, I would not be quite clear, but we decided we would have him go with our staff, because they were not men who knew ^{how} to go about those things. He opened an office, or was to, if necessary.

Q--Your salaries to Engineers vary? Which would he receive, what salary would Hannigan receive?

A--I don't remember. He was to be paid something for his work per day, and expenses. I don't just recollect what it was but, at any rate, that was because I had been

told, as I thought, definitely that we would get the necessary authority in time, and so on, and all the work and all the commitments were made, and made in good faith on what I believed was the conclusion of the Cabinet.

Q--Sir Adam, what other arrangements were made for the campaign except the employment of Mr. Hannigan, to which you have referred? A--Well, there were our Engineers, and we had provision here for speakers. I don't know whether any speakers were paid their expenses or not.

Q--There was someone put in charge of the campaign in your office? A--I think only the Engineers in a general way.

Q--That, really, would come under Mr. Gaby?

A--Well, I don't know. I suppose we had Mr. Hannigan engaged to take care of the publicity.

Q--Who would give Mr. Hannigan his instructions?

A--Well, that I don't know,-- from day to day.

Q--Would it be yourself, would you personally direct?

A--No, I didn't know where he was going.

Q--What other action, if any, did the Commission take?

A--In engaging Mr. Hannigan to do this work?

Q--Did the Commission itself provide funds for this?

A--No, there was nothing done about that, except I was informed that money had been voted, and that money was available. Of course it was a charge on the municipalities.

Q--But, Sir Adam, money was made available by the Government, possibly paid out at the direction of the Commission? A--This money, I believe, was advanced by the Government, I suppose at our request. There was some Fifteen Thousand Dollars that we had on hand on behalf of the municipalities, in connection with radial undertakings of this nature.

Q--Well, would your Minutes show what action was taken by the Commission in connection with this campaign, and of the expenses of it? A--Nothing more than I presume there might be something in the Minutes appointing Mr. Hannigan. I don't know, I am not sure.

Q--What would there be in the Minutes subsequent to the appointment of Mr. Hannigan, relating to this campaign?

A--I have just had this picked out of my correspondence.

Q--When those accounts came in would they come before the Commission? A--I don't think any did, I don't know that they have. They were made out subject to this statement here.

Q--Who had authority to order the payment-out of any money in payment of these accounts?

A--Well, I suppose the Treasurer. I don't know whether we drew it by cheque.

Q--Would it be paid out without instructions from the Commission? A--Well, I presume he would. I suppose I would instruct them to go on with this matter, that I had the assurance that the Government had decided to advance the moneys in accordance with my letter, and I never gave it any further thought until we got well into December; about the middle of December it was brought to my attention that formal authority had not been received. I then took it up with Colonel Carmichael, and he said he would see about it, and then he did write me towards the end of December, eight or ten days before the election, that the Government thought it should be a charge on the municipalities and not on the Province.

Q--Just let us go back again for a moment to the payment of these accounts. If I understand you, Sir Adam, you say they did not come before the Commission but they would be paid out by the Treasurer?

A--He said the Government would not approve of the expenditure, and said they took the view that the municipalities themselves should bear all the expense in connection with submitting the Bylaw. Now, that was about eight or ten days before the vote.

Q--Well, coming back to those accounts again, I understand you to say they did not come before the Commission, and the Commission did not authorize their payment?

A--Well, as to the appointment of Mr. Hannigan, I know that was brought up, and he was put on at a salary, I don't remember how much.

Q--That would be a very small part of the accounts that were paid? What authority would Mr. Pierdon have for issuing a cheque for those? A--Only on the authority that I had, the information from the Deputy Prime Minister that it had been passed, and the estimates covering these expenditures that I had submitted to the Prime Minister.

Q--And Mr. Pierdon wouldn't know anything personally about that. Did you tell him to issue the cheques?

A--I suppose it was taken for granted.

Q--I understand from Mr. Pierdon that he received instructions in those matters from yourself and Mr. Gaby?

A--Yes.

Q--Is that correct? A--I presume it is if he says so, yes.

Q--That the cheques were to be issued under instructions from you and Mr. Gaby? Is it usual for cheques

to be issued by the instructions of the Chairman and the Chief Engineer without any authority from the Commission itself? A--Well, it only was the urgency of the matter in bringing it before the municipalities in time so that they could submit their bylaws, and it was

strictly, I may tell you, Mr. Chairman, on the information I had from the Buildings, who knew we were exceedingly anxious about it, and that is why this Special Meeting was called, and I was told it was all satisfactory. I know I might have held it off, I might have deferred it until it was too late to do anything, and all that sort of thing, but I know in many cases, in the past sixteen or eighteen or twenty years, that when I have had special conferences personally with a Minister, or with the Government, or any Department affected, and I have been told to go on, it has been all right, with the exception of a few cases; they have always confirmed what had passed between us, and I was very much dumbfounded and surprised when I was told that the Government had not decided to confirm. Had I known it at the time it was dealt with, you may rest assured I would not have undertaken any expense in connection with it. There is no doubt whatever that the matter had been dealt with by Council, and that my information was correct.

Q--But, Sir Adam, in a case of doubt like that?

A--There is no doubt about it.

Q--Was, but before those accounts were paid, you knew that no Order in Council had been passed?

A--I did not know what they were doing, but that was my understanding.

Q--You knew the Government had withheld any authority before these accounts were paid?

A--No, I did not, I was told that the Government had authorized it.

Q--Yes, but before you paid the accounts, before the cheques were issued, you knew that the authority had been given? A--Well, Mr. Chairman, Mr. Pierdon would be better able to tell you all about it.

Q--No, what I am speaking of is the payment out of the

accounts without the matter being submitted to the members of the Commission at all, in a case where there was any doubt of this kind?

A--Colonel Carmichael knew what I was doing, he is a member of the Government.

Q--Knew that you were paying the accounts?

A--I don't know about that, but he knew that we understood it was passed, and he was under the impression, and gave me that idea, that it had been passed.

Q--Well, we will hear from Colonel Carmichael?

A--I don't know where he got the information, whether it was by attending at the Cabinet Meeting or not.

Q--But before those accounts were due you knew that no Order in Council had been passed? Here is one, I notice, receipted in February, another one in February?

A--Yes, I suppose those accounts were contracted during the campaign. I knew nothing about this till eight or ten days before the vote was taken. It was to my surprise that I found out nothing had been done.

Q--Yes, but what I am getting at now is that payment of these accounts without them coming before the Commission. You knew - I understood from you - that no Order in Council had been passed, or no Warrant issued from the Government?

A--Well, if I was wrongly informed -

Q--No, but you were rightly informed, you were informed it had not been passed?

A--That was a few days or a week before the time of voting, when nearly all the expenditures had been made, all the obligations had been assumed, and we had to go on with it.

Q--Yes? A--And the Government saying it was a matter for the municipalities, that the Government will not pay it,

if the Government will not pay it then the municipalities must, and if the municipalities won't then I suppose you would suggest passing round the hat to pay the bill.

Q--I would suggest that if you had no authority from the Government it would be an illegal act for the Commission to pay that. They should not have been paid by the Commission, if there was any question; wouldn't it have been proper to have brought the matter before your Commission itself before ordering their payment?

A--I was very insistent, Mr. Chairman, with the time being a limited time in which we must know whether we will suggest that these bylaws should be submitted by the municipalities, because they ask for these forms, and they wanted the law explained. You will remember, there were many municipalities, a very large number of them, confirming the vote of the people, or the decision in going on with this and passing Bylaws by a vote of the Council, along with a Bylaw being submitted. Finally, when it was decided to submit them to the vote of the people, then we took part in the matter, and I had been told distinctly, and led to believe, there would be no question, but that we were authorized to go on.

Q--That is all beside the point? A--We made the expenditures then on account of it.

Q--But you were informed that you had no authority to use the money for that purpose?

A--After we had spent it, or had contracted those bills.

Q--Then you were told then that you had no right or authority, why did you pay these accounts at all?

A--Well, as a man I would pay them myself before I would repudiate something that I had undertaken to pay. To all intents and purposes that was the decision of the Government, because I would expect that I would have been advised at

once had they decided not to go on and make any expense.

Q--But, having gone on in that way?

A--Having gone on in that way, the debts were contracted, and the propaganda was necessary. Meetings were held. I attended some of them, and spoke at a few of them, and other speakers were present.

Q--Yes, but what I am coming to is this: When you knew that the Order in Council had not been issued and that, whoever was at fault, the payment was an illegal one, it would be an illegal thing for the Commission to do, was it proper for the Chairman of the Commission to pay out Eleven Thousand Dollars without bringing it before the Commission, or having the authority of the Commission to pay it? A--Yes, I would think it was quite proper that we should pay bills that were in accordance with the estimates I submitted, and when I was told that we had authority to go on, the Council had decided, or I would expect to be told that there was no authority given at that time, because I was waiting for days to hear the result and that is the only information I had, and I thought it was definite, I knew where it came from.

Q--Is there any resolution from the Board authorizing the Chairman to authorize payment-out under such circumstances? A--I don't know. I know that my fellow commissioner, who was a member of the Cabinet, knew what we were doing.

Q--Knew you were paying these accounts? A--Knew that we were asking the Government to authorize this money, and I discussed with him the fact that I had been told it, and I understood that he felt likewise.

Q--Did he know that you were paying these accounts?

A--I don't know.

Q--So that if they were paid they were just paid by yourself without them going before the Commission at all, or without the knowledge of your fellow commissioner?

A--I presume he knew that we were going on with it.

Q--What ground had he for knowing it?

A--Because we discussed it, in a general way, that it was necessary to have this money.

Q--I mean the payment of the accounts?

A--I even undertook to see the Prime Minister myself. There is nothing mysterious about it, Mr. Chairman, we did it in good faith.

Q--You did it without authority in this case?

A--I did it without any written authority, Mr. Chairman, yes, there is no one disputing it, there is no use you dwelling on it.

Q--But your own Commission didn't authorize it?

A--The Commission knew all I knew. There was only one other member, he is a member of the Cabinet, and, as a member of the Cabinet, if he was in attendance he probably would have taken the trouble, if he had known, that they had decided not to do it at that time, to have told me not to proceed with it.

Q--We will hear from Colonel Carmichael, and hear what he has to say about it?

A--I did not know anything about it until I got Colonel Carmichael's letter.

Q--I am not expressing any opinion about it, but just asking your opinion. Mr. Pierdon is charged with the financial part of the administration, a very important part, and you go to him with accounts that havenot been passed by the Commission, the payment of which your Auditor says is illegal and unlawful

A--Because I haven't the written authority.

Q--Have no authority? A--That is a great word, you love it, "illegal", and "without authority", you love it, just food before you. Well, nobody said it was illegal.

Q--Yes, Mr. Clarkson told us so the other day when he was here? A--Well, he knows, he is right.

Q--Do you think it was right that you and Mr. Gaby, you, the Chairman, and Mr. Gaby, as Chief Engineer, knowing this to be a wholly unauthorized and illegal payment, should go to Mr. Pierdon and instruct him to issue the cheque? A--Mr. Chairman, I absolutely object to this way of cross-questioning witnesses that you have assumed. I have told you so a great many times, and I take occasion to do it again at this time. I had the verbal authority; time was essential. Men had been out for a few days. I understood, in my conversation with the Prime Minister, as far as he was concerned, that this was a modest sum to ask for, and it was all right, there would be no expenditure made that would be of any account. I think probably Mr. Gaby was present in the room at the time that I finally got word from Mr. Wallis that all was satisfactory, and I said to him, go on, there is no time to be lost, see that the municipalities are properly advised where Bylaws are to be submitted.

Q--Would you mind answering my question, whether it was proper for you to instruct Mr. Pierdon to issue the cheque?

A--That was the authority I gave, that was the instruction I gave, and nobody else needs to be blamed for it.

Q--Was it proper for you to give instructions to Mr. Pierdon? A--Under the circumstances, yes. We had reached the limit of our time, something had to be done. The origin of all this was through the Mayor of this City, as

I remember it, and also Mr. Currie, interesting themselves and having conferences, I believe, with the Cabinet or with the Prime Minister, I don't know how or whom, and then I took it finally upon myself to confer with the Prime Minister, on two occasions. The second time I took this memorandum up. These men had no responsibility themselves, they only did what I instructed them to do, and I must assume the responsibility.

Q--Sir Adam, did you receive any financial help in the campaign, from outside? A--Did I?

Q--The Commission, or the people who were carrying it on? A--The Hydro Commission?

Q--Did any private parties subscribe towards helping to carry on this campaign of which you speak?

A--Not unless some of our organization might have paid their own expenses, I don't know anything about it.

Q--You don't know anything about subscriptions coming in? A--No, I do not. I usually spend my own money in my own affairs in these meetings. I know I paid a bill this morning of eight or ten dollars, visiting Niagara Falls to inspect the work and address a meeting.

Q--I understood you had an annual allowance?

A--Yes, I have an allowance.

Q--Would the salaries of these officials of the Commission who were engaged in this campaign be charged up to this Special Account, or would they be paid out of the general funds of the Commission?

A--I don't know how these were paid.

THE CHAIRMAN: Mr. Pierdon, do you know?

MR. PIERDON: There were a few, Mr. Chairman, but the most of the work done by our Engineers was in the evenings, and there was very little time charged against this.

Q--And expenses ? A--Yes, we had some expenses.

Q--To what were they charged ? A--To this particular account.

Q--And none of that charged to any other account ?

A--No, sir.

Q--All charged to this ? A--All charged to this, except, as I say, night time.

Q--And some of the engineer's salaries for this time were not charged up to this account at all, is that correct ?

A--No, I don't think there is, just those expenses, and any other expenses they might have travelling. The rest of the time was over-time.

THE CHAIRMAN: I think that is all for the moment, Sir Adam. I think there are some gentlemen here who want to take matters up with you about Meaford and Eugenia.

H. WALLIS, called .

THE CHAIRMAN: Q--You are the Deputy to the Prime Minister ? A--Yes, sir. . .

Q--And you have heard the discussion which has taken place here about this money that was spent in the radial railway campaign ? A--Most of it, I wasn't here at the beginning of the evidence.

Q--Sir Adam Beck says that about the end of October, between the 28th and 31st, he spoke to you over the telephone, and you told him that an order-in-council had been passed, or warrant issued - I don't know just which expression was used - by the Government, allowing an expenditure of \$9,500; the grant applied for had been passed by the Government ?

A--I have no recollection of any order-in-council being passed about the \$9,500.

Q--No, but have you any recollection - no order-in-council was passed, as I understand ? A--There were orders-in-council passed on the 30th and 31st October authorizing accountable warrants to the Commission for expenditures on radial railway investigations.

Q--Sir Adam had put in a request for certain monies to spend in this campaign, and he says he called you up and you told him that an order-in-council had been passed, or warrant issued, authorizing the use of this money, this specific sum ? A--I could not have made such a statement, because it wasn't true, to my knowledge.

THE CHAIRMAN: Any questions you want to ask, Sir Adam?

SIR ADAM BECK : No, none at all, other than the fact that the Government had decided favourably on the application being made. I don't know whether it was order-in-council, or anything else, and when I called up Mr. Wallis, I thought I knew his voice, I had heard it for a great many years, and

I concluded it was Mr. Wallis, because I called up Mr. Wallis. I called Mr. Drury, and I think they were in Council.

THE CHAIRMAN: Q--Called Mr. Drury, and then spoke to you, Mr. Wallis, and you told him that favourable action had been taken on it.

A--No, I don't recollect anything of that nature.

Q--Are you sure whether you said that or not ?

A--I am sure I would not have said that.

E. C. DRURY, called.

THE CHAIRMAN: Q--Mr. Drury, you have heard some of the evidence given in this matter ?

A--Not all of it, Mr. Gregory.

Q--I will tell you, as nearly as I can, what has been said: Sir Adam says that he spoke to you some time in October about the necessity of having money, to be used in connection with this radial campaign, and he wrote you, at your request, a letter setting forth the requirements of the Commission. ¹⁹²² Stating what the money was required for. That letter from Sir Adam is dated the 4th of October.

MR. GABY: October 4th and 24th.

THE CHAIRMAN: Q--Would you tell us what passed between yourself and Sir Adam regarding that ?

A--Well, yes. The whole situation dates back to January 17th, a year ago, 1922, and on that date I wrote, or had a series of letters, correspondence, with Sir Adam Beck.

I wrote on the 17th January, 1922, saying:

"The Estimates of the expenditure of the Hydro Electric Commission for the current year contained the following item :

Engineering investigations and expenditures covering surveys, by-laws and reports under the Hydro Electric Railway Act.	\$50,000.
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Will you please have prepared for the Government showing in detail the expenditure of the Commission which is chargeable against this appropriation and forward the same to me at the earliest possible date.

In view of the present situation --" - that was the uncertainty as to the future of Hydro radials - "the Government is of the opinion that no further expenditures should be made for the objects of this appropriation without specific authority from the

"Government. I trust your Commission, will, therefore, issue the necessary instructions so that, until the Legislative Assembly has had an opportunity to determine the policy to be pursued, the expenditure of the public money either out of this appropriation, or out of the general fund of the Commission, for the purposes mentioned shall be suspended."

Then the Deputy followed that up on January 18th asking for a reply, and then on January 26th I got the following letter from Sir Adam Beck :-

" Re Engineers valuation and Expenses
 Under Survey, By-laws and reports
 Under Hydro Electric Railway Act.

Dear Mr. Drury:

I beg to acknowledge receipt of your letter of the 17th inst., and to say that this will be brought to the attention of the Commission at its first meeting, which is expected will be held during the first part of next week.

In the meantime, instructions have been given to prepare the statement of expenses asked for in your letter of the above date and the same will be forwarded to you at the earliest possible date."

The statement is not to hand up to the present day.

Then, some time about the 1st October, Sir Adam Beck had a conversation with me --

THE CHAIRMAN: Q--Would that be at your office, Mr. Drury ?

A--That was at my office, in which he pointed out the need for certain expenditures in connection with the submission of the Hydro Radial By-laws. I told him, at that time, that I could see no objection to proper and necessary expenditure, but that the Government would very strenuously object to anything in the nature of propaganda being carried on with the Hydro Electric Power Commission funds, and I asked him, at that

time, to write me a letter setting forth, in detail, the monies that he wanted, and what they were required for.

I had from him a letter on October 4th:

"Dear Mr. Drury:

Re Expenditures Submitting
Radial By-Laws Etc.

Referring to my recent conference with you in reference to necessary expenditures in connection with the submission of resolutions and by-laws to Municipalities in the district between Toronto and Niagara Falls, I beg to say it is necessary to submit these resolutions, or by-laws as the case may be, in compliance with Section 29 of the Municipal Electric Railway Act of 1922. The necessary expenditures will cover the time and expenses of the Engineers and representatives of the Commission, and other expenditures connected with, or incidental to the submission of the necessary Radial resolutions and by-laws to the Municipalities and to the Electors.

Your Vote No.113 in the main estimates of 1921 and 1922, available up to October 31st, 1922, covers this expenditure. Some of the expenditures, however, will be incurred after 31st October, 1922, and I assume that this will require to be covered by special Warrant, or if you think preferable, the expenditures can be made and carried by the Commission and covered by a vote at your next session, although it seems that the Warrant will be the better course to take.

I think the above gives the information required by you. "

I may say that the Government did not see any evidence of money being misused up to the end of the fiscal year, that is, contrary to the Government's instructions as to what the

money was to be used for. There was no campaign, there was no propaganda, there was nothing that we needed to question, and I believed, on the representation of the Chairman, - and still believe - there are certain necessary and legal expenditures in connection with the submission of these by-laws.

I wrote back on October 17th, as follows :

" Dear Sir Adam,

I have before me your letter of October 4th.

I note that there are no funds available in the fiscal year beginning November 1st next, for such work as is required in the disseminating of information regarding the radial question in the municipalities which are to vote upon it. I note also your suggestion that either of two plans might be followed :

First - That the Government might meet these expenses by Special Warrant.

Second - That the Commission might go on and spend the monies without any Warrant on the understanding that they would be voted at the ensuing session of the Legislature.

I think with you, that the first plan is the best.

I would be glad, therefore, if you would send me such information as to the amount of money that would be required for the purpose you suggest, as will enable us to deal with the question intelligently. I think that since a Special Warrant is required a detailed estimate of the expenditures should be given."

The desire of the Government was not to curb necessary and proper expenses, but to see that an estimate was given on which we could form our judgment as to whether they were necessary and proper expenses.

I received, on October 24th, the following letter from Sir Adam Beck :

"Dear Mr. Drury:

Referring to your communication of recent date in connection with the disseminating of information regarding the Radial question and the submission of by-laws in the Municipalities voting upon the Hydro Electric Railways between Toronto and Niagara Falls, I understand that you are in agreement with the suggestion that it might be best to meet the expense of such procedure by Special Warrant.

I am therefore enclosing you herewith an approximate estimate of the anticipated expenditure in connection with such work, namely -

Salaries of employees chargeable to submission of By-laws to municipalities from November 1st, 1922 to January 31st, 1923 -----	\$4,500.00
Travelling expenses of employees and speakers -----	1,500.00
Publicity expenses, including the printing of By-laws in 10 to 15 municipalities 3,000 to	3,500.00
Total	<u>9,500.00</u>

You will, of course, understand that no more money will be spent than is actually necessary in order to place the matter fully before the public, and I believe that the above amount would be an outside estimate on the carrying on of this campaign from November 1st, 1922, to January 31st, 1923.

I would be pleased to have you arrange for the issue of a Special Warrant so that this work may be continued after the first of November, 1922."

Now, on the recommendation of the Minister without port folio, and following this letter from Sir Adam Beck, an Order-in-Council was prepared and brought in for

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consideration by Council on November 13th. It was not brought in in the terms of the letter. For instance, the second item is :

" Travelling expenses of employees, chargeable to submission of above mentioned By-laws."

The letter reads :

"Travelling expenses of employees and speakers."

The Order-in-Council cut out the speakers.

The last item in the terms of the letter :

" Publicity expenses, including the printing of By-laws in 10 to 15 municipalities, 3,000 to 3,500.00"

was purposely modified in the Order-in-Council to read:

"Printing and publication of By-laws in the municipalities above referred to"

the intention being, in accord with the Government's policy, to give the Hydro Electric Power Commission authority to spend monies that might properly be spent, but not to have any monies available for what we believe ought to be carried on by those in favour of the By-laws.

My opinion is, strongly, that the Commission, like any other Government body, should not spend public monies to influence public opinion. I have taken that stand consistently. I think it would be as justifiable for the Government of the day to take funds out of the treasury to carry on a campaign in favour of a subject that might be submitted to the people by plebiscite, on one side or the other, as it is for the Hydro Electric Power Commission to take public funds to carry on a campaign in favour of any proposed project that may be put before the people. If you get into that there is no telling where you may end, but, if there are proper expenditures, I am willing to meet

them.

The understanding was clear, all the way through, that money was not available for propaganda. Take when the matter came up and was discussed in Council: Council decided to refuse the accountable Warrant asked for by the Minister without portfolio, on the ground that detail of information was not available, as to how the money was to be spent.

I have no more to say, unless you wish to question me.

THE CHAIRMAN: Q--Was any information of this action of the Government given to anybody ?

A--I take it that the member of the Commission was present at all discussions.

COMMISSIONER HARRIS : Q--That was November 13th ?

A--November 13th, yes. I think it appeared two or three times on the agenda. When it appeared first, Council refused on the ground that the lump sum estimates were not sufficient for the granting of the money, and it appeared, on subsequent occasions, on the agenda of the Council.

THE CHAIRMAN: Q--Did you ever have any subsequent conversation with Sir Adam Beck ?

A--Yes, I think there was a conversation about the end of the fiscal year, or the beginning of the new fiscal year.

Q--And what was the effect of that ?

A--Of the same tenor as the first, that the Government would be prepared to supply money, but we wanted to know what it was to be spent for, and we would not provide it for propaganda purposes.

Q--This money that has been spent was used, to some extent, paying Mr. Hannigan for managing the campaign, and for paying men engaged in organization work, also for engaging rooms, and so on ?

A--I would consider that was directly contrary to the tenor of the conversation I had with the Chairman of the Commission

and certainly directly contrary to the policy of the Government.

Q--Did you ever say anything which would suggest that the Government would sanction such expenditure ?

A--No.

Q--Not to anybody.

THE CHAIRMAN: Any questions, Sir Adam, you would like to ask ?

SIR ADAM BECK : No.

COLONEL CARMICHAEL-called.

THE CHAIRMAN: Colonel Carmichael, you are a member of the Government, and also a member of the Commission?

A--Yes, sir.

Q--Could you tell us, shortly, what you know about this matter? A--Well, toward the close of the fiscal year all the members of the Cabinet were summoned to Toronto to pass Orders-in-Council, I suppose one may call them, providing for necessary expenditures before the close of the fiscal year out of the vote for that current year which was ending. Among the other items there was a requisition from the Chairman of the Commission for monies which had been voted for the year just ending, and, to the best of my recollection, all these were passed. They were simply appropriated out of the vote which had been voted by the Legislature, most of them in the Session of 1921.

In addition to those to be paid out of the votes, there was a request for a Special Warrant for a sum, I think, of \$9,500.00 - it might have been \$9,700.00, I am not just clear as to the amount now. This, being different from the others, and there being no necessity for haste in the matter, was held over for further information. Some time later, I suppose it would be about the 13th, at least I heard the date mentioned just now, I haven't a copy of the recommendation by me, this was presented to the Council in the form of a recommendation for a Special Warrant for that amount, and the purposes for which it was to be expended were clearly laid down in the recommendation. You will understand, of course, that a recommendation of that nature is the regular way in which the matter is brought before Council, so that it may be discussed by Council.

Q--It has to be recommended by somebody in order that it may be taken up at all ?

A--Quite. This, at that time, was refused. I am not quite certain whether I informed the Secretary or Chairman of the Commission that that had been done. I may have immediately, or shortly afterwards, it is quite likely that I did, and it is my impression that I was asked by the Chairman to bring it up again, and I did so. I heard Mr. Drury say that it was before Council several times, two or three times; it was brought up again, and again refused. I searched my files to find such a letter and failed to find it, but I think I wrote to the Secretary of the Commission notifying him that this application for Special Warrant had been refused. Did I write you, Mr. Pope ?

MR. POPE: It is in the papers.

WITNESS : I searched my files and could not find it, and was wondering just how it could be left out. However, I was under the impression that I wrote such a letter and, so far as I was concerned, that ended the matter.

SIR ADAM BECK: I think I brought it up at the meeting of December 9th, when you said you would find out what had been done. I haven't got your letter, this is just a copy. At that meeting, Colonel, you did not appear to know that it had been finally dealt with.

COL. CARMICHAEL: Well, it had been refused once or twice, and this was the last time.

SIR ADAM BECK : I don't know that, but, Colonel, when you speak of the other amounts we had asked for, for Radials, you had in mind the one-man cars for the Central Ontario system.

COL. CARMICHAEL: No, Sir Adam, the other amounts that I spoke of were requisitions which you had made for various systems, for monies out of the votes.

SIR ADAM BECK : Not radials, we were not spending any money on radials.

COL. CARMICHAEL: There might have been an item for radials out of the vote for the current year, but I am not quite sure.

SIR ADAM BECK : No, that was Central Ontario system, one-man cars.

COL. CARMICHAEL: I would have to see the requisitions to be sure. I referred to the one-man cars.

SIR ADAM BECK : That wasn't radials, that was Central Ontario.

COL. CARMICHAEL : Oh, quite.

THE CHAIRMAN: Q--Well, did you have any discussion about the matter after this letter was sent in ?

A--No, I don't think so, Mr. Gregory. I think that definitely ended the matter. It was a definite reply by Council that the money would not be forthcoming.

Q--Well, how was it that the campaign which Mr. Hannigan told us began about the 1st of December was carried on ?

A--I don't know when it started.

SIR ADAM BECK : December was the first that we had heard of this.

THE CHAIRMAN: I am speaking of Mr. Hannigan's statement about the campaign, when it began. He said it began about the end of November or first of December.

COMMISSIONER HARRIS : Didn't you say the first of October ?

MR. HANNIGAN: The Chairman said he wanted to know when the vote was taken.

THE CHAIRMAN: You said the campaign began about the end of November, and that you did not know where the vote was going to be taken.

Q--Did the Commission, Colonel Carmichael, authorize any expenditures for the purposes which the Government had refused to authorize the expenditure of money ?

A--No, Mr. Gregory, I don't think so.

Q--It appears, Colonel, that accounts for work done in that campaign, for various purposes, have been rendered and paid, a large expenditure paid. Was that payment made with the authority of the Commission ?

A--No.

Q--If the matter had come up in the Commission, would you have supported the payment of these accounts ?

A--No, I don't think so, Mr. Gregory. There was no fund out of which we could properly pay them. I did not know of the matter.

SIR ADAM BECK : I may say, Mr. Chairman, there was \$15,000 of funds that was voted on account of the municipalities in this district, that was available.

THE CHAIRMAN: Do you mean monies borrowed on the securities of the municipalities, Bonds that were issued ?

SIR ADAM BECK : Yes, \$15,000 which wasn't Government money.

THE CHAIRMAN: Colonel Carmichael, has the Chairman of the Commission any authority to make payments like this without being authorized by the Commission?

A-- Well, I really cannot tell you what the Law is on the matter. I take it that where there are funds available, and the payment is a proper one, he has, but where there are no funds available, and there is doubt as to the legality of the payment it should certainly be brought before the Commission.

Q--Were you expecting the accounts to be brought before the Commission before being paid?

A--As a matter of fact, I had heard a great many rumours

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about the amount of money which had been expended on the campaign in Hamilton, and other places, and I was rather curious as to who was to pay those accounts, and I wondered if the Commission was to be expected to pay them, and was rather looking forward to their being brought before the Commission.

A--But they were not brought up?

A--Not to my knowledge.

Q--Any question from Colonel Carmichael ?

SIR ADAM BECK No.

COMMISSIONER R. A. ROSS:

Q--There has been some direct conflict of testimony here, Colonel Carmichael, that I have been trying to reconcile in my own mind. You stated that, in addition to this particular item that is under consideration now, there were certain other matters in connection with the radials that were brought up, and Warrants were passed. Now, I understand from Sir Adam's testimony, that he inquired of Mr. Wallis as to whether this particular item had been passed by the Council ?

A--To which item do you refer, Mr. Ross ?

Q--This item of \$9,500, had been passed by the Council, that Mr. Wallis replied to him that it had been passed, and that he, Sir Adam, thereupon turned to Mr. Gaby and said "Go ahead, go on with the work". Mr. Wallis, on the other hand, says that he could not have done that, because it was not so, that item had never been passed. Don't you think that possibly there was a misinterpretation as to what Sir Adam was inquiring about, if there were other items in connection with radial railways before the Council; might that not account for the conflict of evidence, one talking about one thing, and one talking about the other ?

A--Well, of course, that is liable to occur in a face to face

conversation, I have had cases myself, but I cannot undertake to answer your question without knowing what was in the minds of either of them. It is possible, I suppose.

THE CHAIRMAN: Q--Were there any other items for the radials brought up at that time ?

A--There was an amount of \$50,000 voted for investigations and surveys under the Hydro Radial Act at the Session of 1921, for the fiscal year, ending October 31st, 1922. I believe, to the best of my recollection, that amount was included in the requisition. You will understand, of course,-

at least, my understanding of it is that the authority for the payments out of that vote could properly be made to the expenditure at the end of that fiscal year, and would not be available for payments subsequent to the end of the fiscal year.

COMMISSIONER HARRIS : The Prime Minister has given a very clear explanation of it, and the attitude that he took in connection with it.

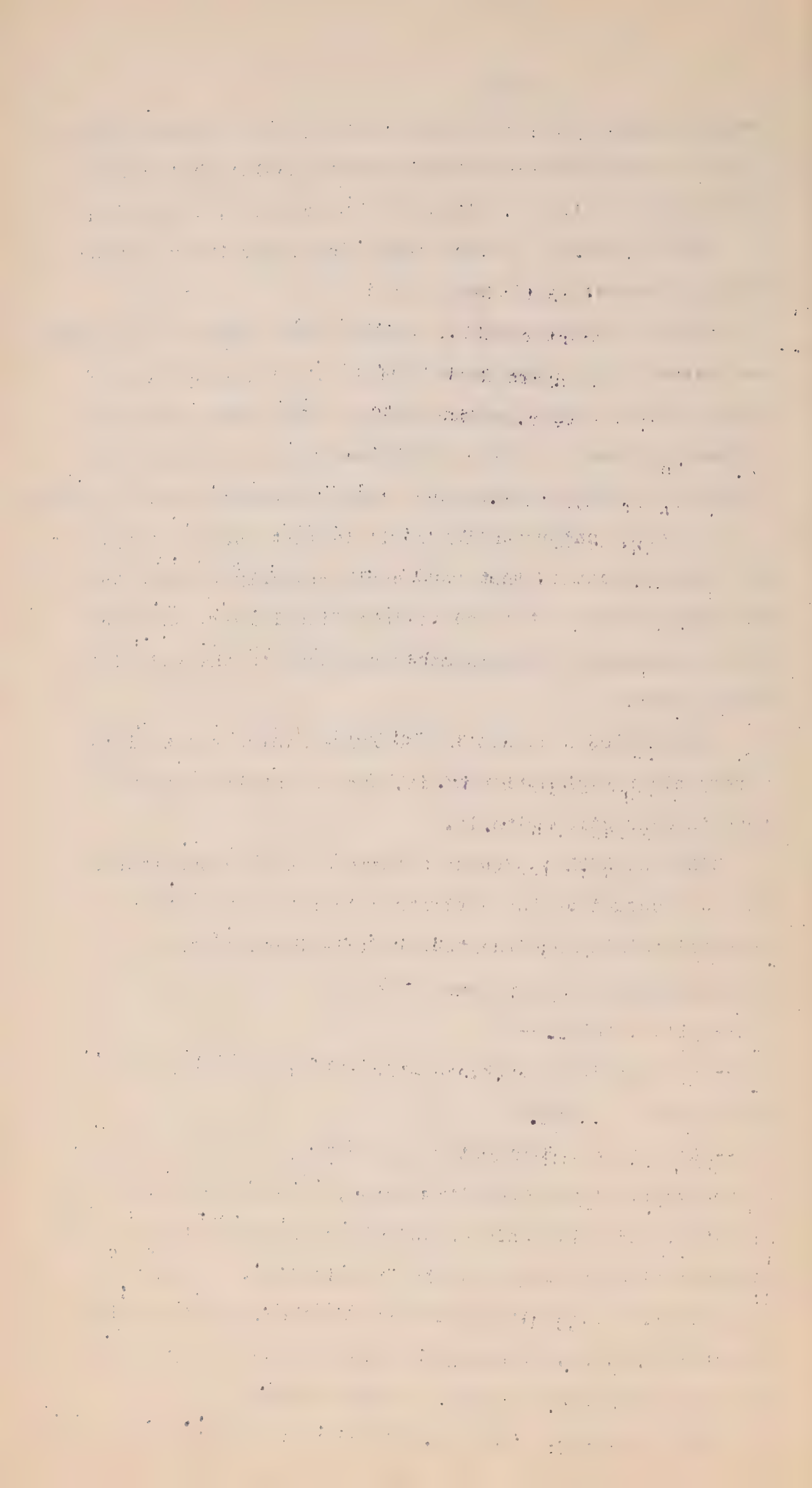
SIR ADAM BECK : You knew there were no expenditures made on account of the work other than the staff that we were maintaining pending the final decision of the municipalities and the Government ?

A--Well, I think.--

Q--We stopped all work, and expenditures on right of way, and so on ? A--Yes.

A--But I have a distinct recollection, in the early part of the year, at the time it came up, of calling up the Prime Minister, and asking him whether he intended that we should dispense with the whole of the organization. We had to keep it alive until it was finally settled, and the Prime Minister said, no, such organization as you really need. We did carry that out, I think, to the letter.

PREMIER DRURY: The \$50,000 was to pay that. If I might



be allowed to ask a question, and perhaps make a statement:
the Warrant passed at the end of the fiscal year was to clear

all these necessary amounts that Sir Adam has spoken .
of incurred up to the time. It was not available for the
new year anyway, it was an accountable one, pass in the
usual course to clear up the accounts of the passed year, but
it, in no sense, authorized any expenditure at all for the
new fiscal year.

THE CHAIRMAN: But there was no order regarding the
radicals, providing for any expenditure beyond the fiscal
year.

MR. DRURY : No, there was absolutely no Order-in-Council
providing for expenses beyond the fiscal year.

THE CHAIRMAN: That was October 31st last.

PREMIER DRURY : Yes, the \$50,000, the item voted by the
House in the main estimates of 1921-22, was available to
clear up those expenditures Sir Adam has mentioned until the
end of the fiscal year.

COL. CARMICHAEL : But no expenditures incurred after ?

PREMIER DRURY : No.

SIR ADAM BECK : That was the reason.

PREMIER DRURY : I would like to ask Colonel Carmichael
one or two questions with your permission ?

THE CHAIRMAN : Certainly.

PREMIER DRURY : Did you know the attitude of the
Government in regard to the sort of expenses that we were
prepared to meet, and the sort of expenses we were not
prepared to meet ? A--You mean in submission of these by-laws

Q--Yes. A--Yes, I think I do.

Q--Did you know that the Government was not prepared to
finance propaganda ? A--Oh, quite, yes. The Government was
prepared to pay necessary expenditures. I don't know that
the Government was prepared, but I know that your own attitude

was that you would consider paying the necessary expenses of officials of the Commission in putting clearly before the public the matter which was to be voted upon.

Q--That was my personal attitude ? A--That was your personal attitude.

Q--But when it was brought before Council, the attitude of the majority of Council was that sufficient detail was not given to justify it ? A--Well, it was brought before Council several times, and, so far as that is concerned that was cleared away but they still refused to pay any expense.

THE CHAIRMAN : I suppose we can hardly go into the affairs of Council ?

MR. DRURY : I don't think we should.

Q--But was there any doubt, in your mind, as to the attitude of the Government towards this matter ?

A--No.

Q--That was quite well understood ?

A--That was quite well understood.

Q--And you would not have been prepared to sanction such expenditure had it been brought before the Commission ?

A--No.

THE CHAIRMAN: Mr. Drury, there is one question ; Sir Adam said he understood that Colonel Currie and Mayor Macguire saw you about the desirability of the Government granting money for the purpose of this campaign.

COMMISSIONER HANEY : \$25,000.

PREMIER DRURY : I have no recollection of it at all, certainly not Colonel Currie, and I think not Mayor Macguire.

SIR ADAM BECK This is the member for Toronto J.W. Currie.

PREMIER DRURY : I think there was something said.

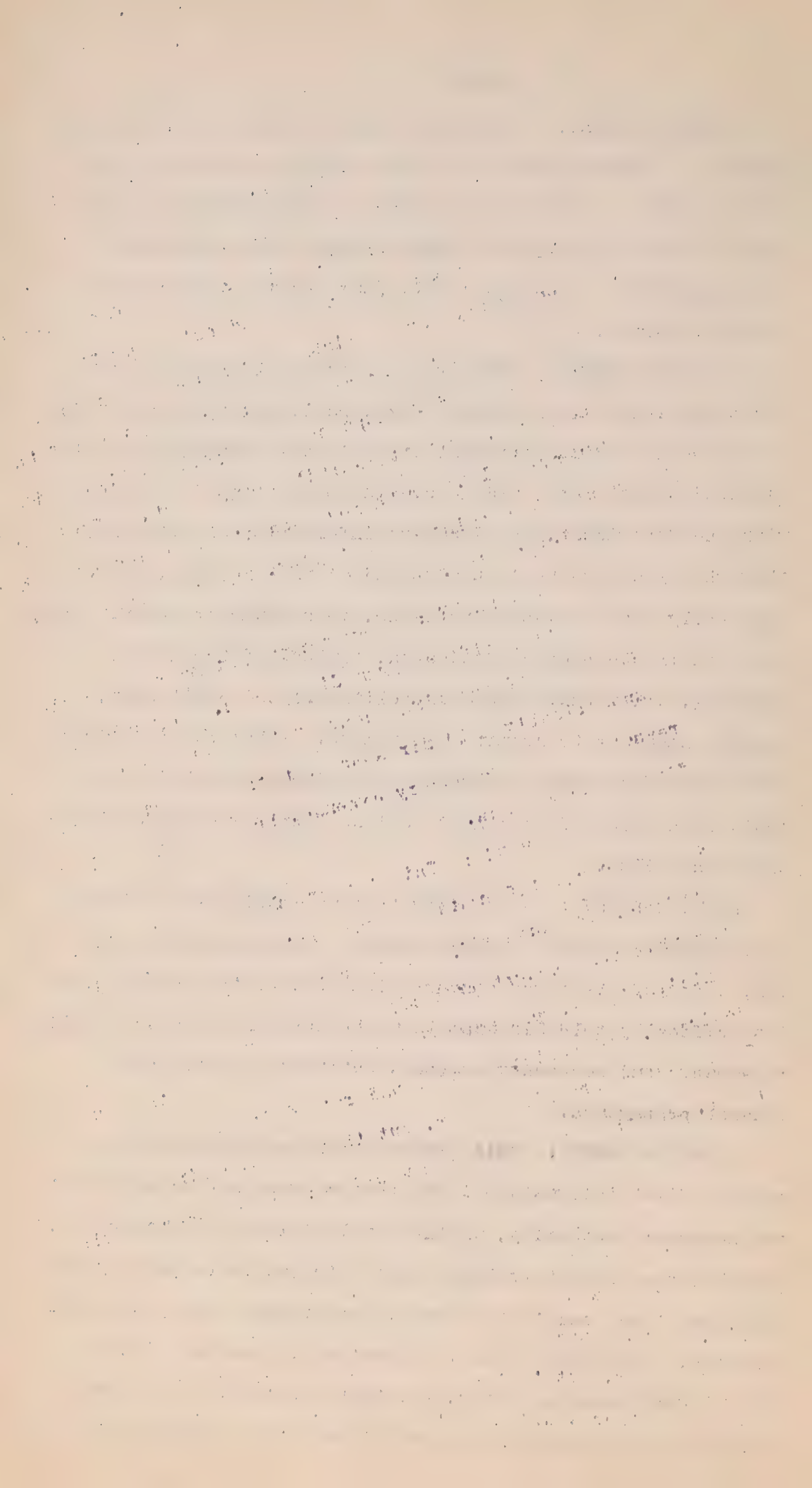
SIR ADAM BECK : I don't know really, Mr. Drury, whether it was you or the treasurer they saw.

PREMIER DRURY: I think Mr. Currie spoke to me about the matter. I am not clear as to the details of what he spoke to me about. I know the attitude of the Government was clear on the one question, that we would not spend money on propaganda. I cannot recall just now the conversation with Mr. Currie.

SIR ADAM BECK: Of course, I did not know that until I got the letter from Colonel Carmichael, and the day we did, or the week we did, I brought it up in the Commission and told him what we had done, and he said he would take it up again with the Government, and I had no information at all other than what you gave me to understand at that meeting, and we apparently had a misunderstanding, in someway or other. There were men in the previous campaign, members of the House, speaking, and perhaps speaking politically, I don't know, and you asked me to submit a statement. That was the first interview I had with you, and it was understood that there would be nothing of that kind, and so I prepared the estimate along that line.

PREMIER DRURY: I am sorry that my recollection of that conversation differs from Sir Adam's. My recollection is very clear of the first conversation, and of the second, that I specifically told Sir Adam that the Government would consider reasonable and necessary expense, but that we would not finance propaganda.

SIR ADAM BECK: This letter of Colonel Carmichael's was the first information I had that we were not going to get the necessary authority, whether by Legislation or otherwise, and that you thought probably that this should be paid by the municipalities, and that it was in accordance with your final decision, and policy as I understood it was when I saw Colonel Carmichael's letter, but that was the first information I had, and the municipalities would have to be charged with it.



That letter of Colonel Carmichael's that you have before you there makes it quite clear that the Government decided not to pay any of it, but that the municipalities should be expected to pay all, because it was their affair.

THE CHAIRMAN: Mr. Hannigan, I gather that your remuneration was \$30 a day and expenses.

MR. HANNIGAN: Yes, sir.

Q--Would that be in addition to your regular salary?

A--I didn't get any salary.

Q--You got \$4,000 a year ? A--I wish I had, but I didn't.

Q--What is the salary? A--I didn't get any, I am not in the employ of the Commission.

COMMISSIONER HARRIS : Q--You get a salary from the Union of the Municipalities ? A--I used to, but I don't any more.

THE CHAIRMAN: Q-- It has been paid by the Commission in the past? A--The Commission never paid me any money in the past.

Q--No, but the municipal association did ?

A--The Commission, I understand, made a grant to the Association.

Q--And out of that your salary would be paid?

A--Well, I don't know, it may be out of that, or the funds we got from the municipalities, but that was some time ago.

Q--At the present time you are not in receipt of a salary from anyone ? A--No.

Q--Are you in the employ of the Hydro at the present time?

A--No, except at times when they have called me.

Q--Have you been in their employ at all since the first of the year? A--I think for four or five days, something like that.

Q--And what class of work did you do when you have gone out? A--I have gone out and addressed meetings at various times, that is particularly what I have done for them, in reference to either power or radial projects.

RE GEORGIAN BAY POWER COMPANY

EUGENIA FALLS

THE CHAIRMAN: Sir Adam, I am sorry that you were not here this morning when Mr. Hogg and Mr. McLaughlin brought up the matter of the sale to the Commission of their property at Eugenia Falls.

They say that they were forced by the Commission to accept for that far less than it had cost them, and far less than it was worth , that the Commission was not prepared to settle the price by arbitration proceedings by expropriating the property, but intimated to them that if they did not sell at the Commission's figure they would drop the matter, and then they would have to face competition from the Commission, and rather than put themselves in that position they let the Commission have the property at \$60,000. What they said suggested, from their standppint, a pressure, or an attempt on the part of the Commission to force them to sell at less than a fair price for their property. I understood, at the time, that the gentlemen from the Hydro who were here this morning were prepared to deal with that, but they said they were not prepared to deal with the matter at all, and so we let it stand over until this afternoon in order to hear your side of the case.

SIR ADAM BECK : Well, it is pretty difficult to remember details in connection with a matter of that kind.

Q--They mentionedhaving seen you up north,at one time, at Owen Sound, and taking the matter up with you then ?

A--I do not recollect, but the late Colonel Stimson, a broker, he was the first that I can remember approaching me regarding the acquiring of the properties of this Company at Eugenia, and his information was that they had

spent a considerable amount of money on this tunnel work, and that the Bond holders were very anxious to dispose of the property, they could not go on with it, but I never heard anybody mention for what reason. In any case, of all the properties that we have acquired, in the eighty odd companies that we have bought out, there never has been a suggestion on the part of anybody in authority, and I know I never made it, that if they did not do certain things something else would happen. That is foreign to me entirely. We have negotiated for many millions of dollars of property, as you know, and the purchases have all been carried out by friendly negotiations, and there has never been an action, of any kind, in the way of expropriating any properties other than Shaw Falls that the Government authorized, because the Province owns certain parts of the lands that were involved in that development, and the Government thought it would be proper and wise, because of the demand in that district, that they should acquire all the properties, but that is the only case in all the years that we have been operating the systems. All the properties have been acquired by friendly negotiations.

I understood that this Company were in difficulties, and would be glad to sell. I don't think we used any of their properties in this new development.

COMMISSIONER HARRIS : That is not so.

MR. A. O. HOGG : Pardon me, they use every foot of it.

SIR ADAM BECK : I don't think they do.

MR. A. O. HOGG : I say you did, your engineers said so this morning.

SIR ADAM BECK : Do you think I can remember all those years just what is what, Mr. Hogg ? You approach this matter in a very unfriendly way.

MR. A. O. HOGG : You have been told a great many times,

sir, that you never paid the value of that property, by myself a great many times.

SIR ADAM BECK : Well, I don't remember, but I have a right to believe our engineers in giving us information and data when they state that the work which had been undertaken, and the monies which had been spent on that work, were of no use or value to the scheme of development that we had in mind. That is all I know about it.

MR. HOGG : Do you know that you had a 400 foot head of water in the property you got ?

SIR ADAM BECK : Well, I am not discussing the head or anything else.

MR. A. O. HOGG : Do you know that there was a 400 foot head of water in the property you got ?

THE CHAIRMAN: Got from you ?

MR. HOGG : Yes, sir. His engineers said that this morning. We have got the documents to prove it. The present development is 500 feet.

SIR ADAM BECK : I absolutely refute any statement by you or anybody else, that the Hydro Electric Power Commission, or I as Chairman, or members of the Commission, ever in any way, shape or form threatened anybody in the acquiring of property that we are now in possession of at the present time, or negotiated for, and made use of any power we had, other than by friendly negotiations. I absolutely deny that. At any rate, it takes two to make a bargain, there is the seller and the buyer; the seller is not compelled to sell, and if we agreed upon a price I presume it was acceptable to the Company, and it was justified by our advisors, as to the value of this property.

MR. A. O. HOGG: It was not acceptable to the Company, never was.

SIR ADAM BECK : Well, then, they were very foolish

to take the money.

MR. A. O. HOGG: And never will be, and you know it and have known it ever since it was purchased.

SIR ADAM BECK : I don't want to talk horse to you, Mr. Hogg, but I have paid a good many thousand dollars for horses, and I sold them at what I could get for them, probably one-tenth of what I paid for them.

MR. A. O. HOGG : But this horse wasn't spavined, it was in good condition when you got it, and three eminent engineers were back of it to prove that the power was there.

SIR ADAM BECK: We are only guided by the views of our own experts, never have been otherwise. We have called others in to consult with our engineers, and take their opinion, unless we have reason to differ with them. We are not guided by the seller's engineers, or the seller's value of the property. We usually offer all we can, and we have been more often censured for paying too much, rather than too little in acquiring many of the properties that we did. I don't know that we paid too much for any of them. The municipalities up there will tell you we paid too much for them.

MR. THOMAS McLAUGHLIN: In 1914 when you offered us \$50,000, and then the offer of \$60,000 was made to us, all your plans for the development of the property, as they have been carried out, were made, waiting just for the transfer of the proposition. Supposing we had said, Sir Adam, we will not take \$60,000 what would you have done ?

SIR ADAM BECK : Well, that I don't know.

MR. THOMAS McLAUGHLIN: Well, in a reasonable way! Recollect, I have been a staunch supporter of Hydro, almost a worshipper of Sir Adam Beck.

SIR ADAM BECK : I am very sorry for that, because you are wasting your worship. It has been conclusively proven

we do not deserve to be respected much less worshipped.

MR. THOMAS McLAUGHLIN: Now, what would you have done, all the development plans were ready ?

SIR ADAM BECK : If you refused to sell, I suppose we would have thought out other ways and means to secure power for that district, and I don't know now but it might have been better if we had taken Niagara power into that district.

MR. THOMAS McLAUGHLIN: You would have hung up all the work you had done during the year, all your preparatory work.

SIR ADAM BECK : Of course, we did that on every water power in the Province.

MR. THOMAS McLAUGHLIN: Now, as a matter of fact, the very time the money was paid over to the National Trust Company an announcement appeared in the "World" saying that you had let two contracts for dams, amounting to \$230,000. That wasn't the work of a day.

SIR ADAM BECK : I have no recollection of that, I really don't know what we did. If you had a large amount invested in that scheme of yours the chances were it was of no value to us, and if you did not get the full amount of your investment, if that is what you are aiming at, surely we cannot be censured. We would not be true to our trust if we did not secure it as cheaply as possible.

MR. THOS. McLAUGHLIN: We believed that we had no recourse.

SIR ADAM BECK : Oh, well, you must have had lawyers advising you. Of course, if we had taken expropriation proceedings under the Public Works Act then we would have gone through a form of arbitration, and that was open to you if you wanted it.

MR. R. J. McLAUGHLIN: But you did not take any proceedings

SIR ADAM BECK: Couldn't you ask for that saying "We refuse to sell".

MR. R. J. McLAUGHLIN: Didn't you tell us the same as you are telling us now, that if you don't take the \$60,000, why, you would consider other means of supplying that district ?

SIR ADAM BECK : Absolutely no, no threat was used. If that property was essential to the scheme of development in that district, and you objected to taking the price offered, the only recourse would be that we would expropriate the property under the Public Works Act.

MR. R. J. McLAUGHLIN: That is right, I am taking your word, I have got a great deal of faith in you, but it is only five minutes since you said that if ^{"e} had not taken that you had to consider other means of supplying power to that district, and that you believed it would have been better, it might have been better, if you had brought power from Niagara. Now that is only five minutes since, so there was no certainty, or no reasonable probability if we had not accepted \$60,000 that you would have expropriated and given us an opportunity to arbitrate.

MR. A. O. HOGG: Sir Adam, did you say that the Niagara power could be brought in there during negotiations?

SIR ADAM BECK : No, I didn't say that.

MR. A. O. HOGG: Excuse me, I say you did say it, you said so five minutes ago. What would ^{the} Eugenia property have been worth had you brought in Niagara power. What would you have paid for it if you had had Niagara power brought in in competition?

SIR ADAM BECK : We might have spent every cent for it.

MR. A. O. HOGG : What would you have paid for the property ?

SIR ADAM BECK: What are you here for ?

MR. A. O. HOGG: What would you have paid for that property if you had brought in Niagara power ? I am here to ask you a question, and I am going to keep asking it, with the Chairman's permission.

THE CHAIRMAN: What question did you want to ask?

MR. A. O. HOGG: What would you have paid for that property if you had brought in Niagara power?

SIR ADAM BECK: If I wanted to buy I would have bought it at your price. You didn't have to sell.

MR. A. O. HOGG: If it had been a navigable stream you would not have bought it at that price.

SIR ADAM BECK : I don't know, we have boats on the stream now.

MR. R. J. McLAUGHLIN: I believe you have developed from 4000 to 5000 H.P. at Eugenia at a cost of something over Two Millions.

MR. GABY : It cost us over a Million to get it, that includes transmission and everything.

MR. THOS. McLAUGHLIN: And that is the burden the municipalities have to bear ?

SIR ADAM BECK : They bear all we spent on it and paid you.

MR. THOMAS McLAUGHLIN: So if they are kicking there isn't a great deal ^{of the kick} over the \$60,000 that you paid us.

SIR ADAM BECK: Well, I am glad if they are satisfied, you don't seem to be. You come along here eight or ten years after the transaction, what is your purpose, what are you here for ?

MR. THOS. McLAUGHLIN: We are here just to bring out the truth.

SIR ADAM BECK : To show that we are mean and miserly.

MR. THOS. McLAUGHLIN: We are not here for any

personal purpose at all.

SIR ADAM BECK : Do you expect to get some refund? Who is going to give it to you; why didn't you say so at the time you were selling ?

MR. A. O. HOGG: We did say so, and no one ever said to you that that property was worth less than \$150,000.

SIR ADAM BECK : If they had told me it was worth a million and I could buy it for \$60,000, then it was my duty, as trustee, to buy it for \$60,000.

MR. R. J. McLAUGHLIN: You say that you felt it your duty, as trustee, to buy it as cheap as you could ?

SIR ADAM BECK : Yes.

MR. R. J. McLAUGHLIN: That is just where we object, we think, as representing the Government -

SIR ADAM BECK : I am not going to allow you to put those questions in such an inquisitorial way. We negotiate the purchase of properties from many, many people, of very large character, and we get land valuers to value the land for us, we secure the best experts we can employ. That is what we did in the case of your property, and these experts tell us that the outside we should pay for this is \$50,000. We make you that offer, and you come with a plea, just as you are doing here today, and the Commission decides to stretch another \$10,000. My good friend, Colonel Stimson, a personal friend of mine, saw me at various times, and asked me " How much can you pay for that property", and I told him what we were advised to pay. You then decide for yourselves whether you take the offer or refuse it. You accept, and, as business men, I would expect you to stand by your conclusion. It was in liquidation, or some financial difficulties at the time, in the hands of the Trust Company, and they, apparently, accepted it.

MR. R. J. McLAUGHLIN: Well, instead of making speeches-

SIR ADAM BECK : I am not making a speech, I am going ^{what I think} to say/is fair to our organization, and you are the first Company - and we have bought out eighty of them - that has come along afterwards, and said " We made a bad bargain, and we now need some more money". You are welcome to all you can get, but I object to the questions you are asking me.

MR. THOS. McLAUGHLIN: In this case you had the auditor's report. It showed we did pay \$89,000 for the property, and had spent, with carrying charges, engineering expenses, putting the tunnel in, and so forth, over \$150,000 of good money, in good faith.

You knew, just as you said a while ago, that the Company was in difficulties, and you knew the fact that the creation of the Hydro Electric Power Commission, with the powers that had been given to it, made it impossible to finance a power company in competition with Hydro Electric.

SIR ADAM BECK : No, I knew from our engineers their information was, or opinion was, that the scheme you proposed was not feasible, and would never pay for the investment.

MR. THOS. McLAUGHLIN: We presented this morning, the reports of Mr. Breckenridge, Mr. von Schon, and Roberts and Abbott, whom your engineers all said were thoroughly competent engineers.

SIR ADAM BECK : It would not be the first power development that engineers have differed on, and it would not be the first power development that has been undertaken and found to be a failure. You remember Musale Shoals, and a few others. Some one recommended that. It is there yet, and you can buy it at fifty cents on the dollar. Engineers are not always reliable although they are sincere.

MR. THOS. McLAUGHLIN: No, engineers are not always

reliable although they are sincere, and although I have the highest regard for you personally, and the Commission, I do not think that your engineers are at all infallible.

SIR ADAM BECK: No, I don't think any of us are, and you might not have been infallible in your attempt to develop power along the line you were contemplating.

MR. THOS. McLAUGHLIN: We could have developed, according to our estimates, some 2500 H.P., and delivered it to those towns under one-quarter of your Commission's expenditure.

All our expenditure was in good faith. The people who organized the Georgian Bay Power Company had already put in a plant which had been decidedly successful at Fenelon Falls. They were the pioneers of power development in this country. They put their money into that in good faith, and had they gone ahead they would have had to compete with the Commission, which they could not do.

SIR ADAM BECK: Why not, if the Commission are so extravagant in their undertakings.

MR. R. J. McLAUGHLIN: The Hydro Electric Power Commission have all our credit behind them, they pay taxes to no one.

SIR ADAM BECK: You don't know what you are talking about;

MR. POPE: We pay taxes on all our land.

MR. A. O. HOGG: What relation has that to the value of the property?

MR. R. J. McLAUGHLIN: We had to pay the Township of Artemesia over \$2,000 in connection with that property.

THE CHAIRMAN: I think we have pretty well covered the subject now.

MR. R. J. McLAUGHLIN: I think so. I am not here to blame anybody, but Sir Adam seems to take the view that it was his duty, and many people may agree with him, to buy

any property just as cheap as he possibly can.

THE CHAIRMAN: I understand you take issue with him, and that you do not consider you have been paid a fair price.

MR. R. J. McLAUGHLIN: Yes.

COMMISSIONER R.A. ROSS: Here we have municipalities banded together, as partners, who said these people are our representatives, it is their business to get things as cheaply as they can for us, and if they don't they will hear from us. Isn't that about the way of it ?

MR. R. J. McLAUGHLIN: The people associated with this were the pioneers of electrical development in the Province, they made a success of what they had. They made a success of one enterprise, the Fenslon Falls development. They put in their money honestly, with the desire of performing a public service, and, of course, getting a fair return. The Hydro Electric Power Commission, a public body, was created, which made it impossible ^{for them} to finance it. That enterprise cost the people over Two Millions of dollars. It would have cost very little more to have paid the honest fair value of the property to the people who put their money into it. The property was estimated to have cost \$29,000 -

THE CHAIRMAN: It isn't a matter of what it cost so much.

SIR ADAM BECK: We bought a property not very far away known as the Wasdell Falls, from a private owner, of course. The property had never been in the Crown, he had private rights there, and it was his property, and we paid about \$7.00 a H.P. for the rights and everything else, water rights and land, which we required. In the case of Eugenia we paid from \$20 to \$25 a H.P.

COMMISSIONER HARRIS : Well, it was worth that, Sir Ad

SIR ADAM BECK : Why do you say that?

COMMISSIONER HARRIS : Because Wasdell's has got a head of about eight or nine feet. Here these people were selling their water power, - at the time they sold it to you, they had 400 feet.

SIR ADAM BECK : We paid this man at Wasdell's, he asked a price and we made an offer.

COMMISSIONER HARRIS: I am surprised that you make the comparison between Wasdell's and Eugania.

SIR ADAM BECK : There is no use arguing. Those people had not paid the interest on their Bonds, they had all that time to go on, or to stop. Our duty is to find out what properties are worth, and to make them an offer. If they did not want to take that, and we required that property, we would expropriate it under the Public Works Act, and they would settle it by arbitration.

COMMISSIONER HARRIS: Why didn't you do it that way ?

SIR ADAM BECK: Because we agreed not to expropriate. They agreed to accept what we offered. They must have thought they would get less by going to arbitration.

COMMISSIONER HARRIS: We are not getting at the facts as they were presented to us this morning. What those men say is that they, in good faith, found that this Eugania location there was a magnificent location to develop electric power. They went to work and started in to construct a plant there. They went so far as to buy a certain amount of property necessary for the construction of a plant of that kind. They got the best engineering advice that they could, - your engineers did not question at all the standing of the three engineers who reported.

SIR ADAM BECK : No, but they did not agree with the scheme of development that they had decided upon at all.

COMMISSIONER HARRIS: They did not disagree to any marked extent.

MR. A. O. HOGG: The development itself does not agree very much.

COMMISSIONER HARRIS: I haven't heard any great criticism of the reports themselves, or of the men that made them. Your own people admitted that they were three outstanding men, so that they got the best information they could, and they paid their good money to have those reports made. They get to a point where they have spent over \$100,000, and then they try to finance it and find it impossible to finance because of this Hydro Act that was put on the statute books of this Province about that time, and you know, as well as I know, and anybody that knows anything about it knows, that ever since the first Hydro Act appeared on the statutes of the province it has been impossible to develop, or finance the development of any water power in this Province. You know that, and why? Simply because the Legislation is of such a confiscatory nature that nobody can do it.

SIR ADAM BECK: Confiscatory?

COMMISSIONER HARRIS: There is the story that they put up to us.

SIR ADAM BECK: It is quite refreshing to hear you, a director in one of the largest competing companies, giving us a lecture on the terrible things that the Legislature has done in enacting Legislation, authorizing us to proceed with the construction and development of water powers on behalf of the municipalities. You don't need to lecture me, go and lecture the law makers.

COMMISSIONER HARRIS: I am talking from my own personal experience and observation.

SIR ADAM BECK: If we get enough as a public undertaking, this scheme of competing with existing companies -

COMMISSIONER HARRIS: But you cannot compete.

SIR ADAM BECK: We cannot ?

COMMISSIONER HARRIS: No.

SIR ADAM BECK : Then why do they come along and sell out.

COMMISSIONER HARRIS: Unless you have a monopoly.

SIR ADAM BECK : We have a monopoly by buying out eighty-six companies.

COMMISSIONER HARRIS: Treat them all in the same way. You are strong and you are powerful, and if you think you have got to have them you pay them a whole lot more than their plants are worth.

SIR ADAM BECK : We do not need to have them. If you want the engineering facts, Mr. Chairman, if that is what we are here to discuss let us bring the engineers on here and discuss those facts.

THE CHAIRMAN: Those people say -

SIR ADAM BECK : That we were mean and coerced them.

THE CHAIRMAN: Yes, and they said they would have been glad to have had expropriation proceedings, but that you said "Take our price, if you don't we are not going to buy your property at all, we are going to bring in Niagara power", and that was the threat they said you used against them, that is the point in issue.

SIR ADAM BECK : I have no objection to being accused of that. I know that no member of our Commission ever threatened anybody with anything of the kind.

THE CHAIRMAN: I think we have covered the ground pretty well.

MR. R. J. McLAUGHLIN: We are all people of common sense. They simply brought in power and destroyed the value of their property.

MR. POPE: Mr. Chairman, may I just refer you to an agreement dated 24th December, 1912, that the bondholders of that Company, The Georgian Bay Power Company, made in Toronto under the direction of their Board of Directors at their Meeting, and after the Meeting they passed a resolution authorizing the National Trust Company to sell this property for Sixty Thousand Dollars.

THE CHAIRMAN: Yes, they have told us that this morning.

MR. POPE: It was signed by thirty seven or thirty eight bondholders.

THE CHAIRMAN: They told us that.

MR. POPE: Here is the statement made at that time, the 24th December, 1912:

"And whereas a considerable amount of properties have been purchased by the Company since the execution of the said mortgage to the National Trust Company, Limited, and are only inferentially covered by the same -
Now therefore we, the undersigned bondholders, do hereby request you, the National Trust Company, Limited, to procure from the Georgian Bay Power Company, Limited, an absolute conveyance and release of all its properties to you, as Trustee, for the bondholders, you undertaking to pay out of the proceeds of the proposed sale the encumbrances and preferred claims above mentioned -
And upon your obtaining such conveyance and release from the said Company, we hereby request you to convey all the said property to the Hydro Electric Power Commission of the Province of Ontario, or to whom it may appoint, for the price or sum of Sixty Thousand Dollars (\$60,000.00) in money out of which we request you to pay the aforesaid prior encumbrances and the aforesaid preferred claims and all costs, charges and

expenses incurred in connection with the said sale, your own remuneration and to distribute the balance among the bondholders pro rata."

THE CHAIRMAN: They said, Mr. Pope, that they did that. They met at your office and they passed the resolution, and they say they agreed to sell it.

MR. THOMAS McLAUGHLIN: I endeavoured to interest Colonel Stinson to help us out.

THE CHAIRMAN: We will now take up the Meaford matter. Are you alone, Mr. Moore, or who is to speak with you in connection with Meaford ?

MR. MOORE: No one on my side. I would like an opportunity to reply, that is all.

J. W. HORSLEY, called

THE CHAIRMAN: You would like to say something, Mr. Horsley ?

A--Yes, I am the man that you heard about this morning.

Q--Mr. Moore said some nice things about you. Are you the one what did not own any property in Meaford ?

A--Yes, I am the one.

Q--What can you tell us about this matter ?

A--I am sorry to be placed in this position. We had a kind of local option election up there, and it has made a lot of bad friends.

Q--I must want you to tell us that which is pertinent to the matter in issue here ?

A--I know it to be a fact that negotiation was first started by Ex-Mayor Kent, who thought that we had an inadequate supply of power up there, and could not get anything very definite. He, therefore, started negotiations with the Hydro, which were carried on during his term. The Hydro has all the communications here, and it was carried on by his successor Ex-Mayor Londry.

Q--About what time was that ?

A--Mr. Londry's term was in 1918. I was Mayor in 1916 and 1917, but I hadn't any communications at that time. Then it was carried on again by Ex-Mayor Gray, who is here today, and it was all the time the corporation that was pressing the case. Hydro did not press themselves on us at all, that I know.

The matter was carried on by Ex-Mayor Gray and a preliminary vote was submitted at the election of 1921, asking the people if they were in favour of submitting a money By-Law, you understood the procedure they take, That had a large majority.

I, myself, was unfortunate enough to be Mayor in 1922, and after the passing of the By-law we took our sides. We started to try to negotiate with the Georgian Bay Milling and Power Company -

Q--That is Mr. Moore's Company ?

A--Mr. Moore's Company, as the Hydro had always, to the best of my knowledge, advised us to buy out the local company and make peace and quietness. That was always their attitude towards the Company, in every way, to the best of my knowledge, and we didn't get along very fast. We made an offer, I think, if I remember right. Of course, Mr. Chairman, this thing was brought on in a hurry last night, I didn't know till then of this meeting.

Q--You are familiar with the whole subject ?

A--Well, I am just hitting the high spots, but I came down here to do the best I could. Anyway, we tried to negotiate with the Company, and we offered them, if I remember right, \$12,000 for the distributing part. We did not want the hydraulic part.

Q--Why not ? A--Well, we did not consider, after all the proceedings they had gone through, that it was worth buying for a real responsible source of supply.

Q--What did you propose to get for it ?

A--More Hydro. Mr. Moore said that he did not want to sell the distributing part, but he would like to sell the whole outfit to us. He asked us if we would consider an offer of \$40,000, and we were getting along rather slow with the negotiations, and our contract with the Georgian Bay

Milling and Power Company expired August 1st, 1921, and I, as Mayor, talked it over with the Council and said, now, we are getting along in the season, our contract expires in August, and we want to be able to get ready now ; it will do no harm to the Company, and possibly we will gain a lot, Supposing we want to go into the Hydro by the reduced cost of material, and probably it would be better to renew this contract for a year. We talked it over in an amicable way, and we submitted a By-law to the ratepayers for the renewal of the contract for one year. The By-law was passed, and it was renewed, finishing up in August 1922. You understand me, as far as I have gone.

THE CHAIRMAN: Yes.

WITNESS : We also made a solemn promise, and we considered we were in duty bound to submit a Hydro By-law, and in all fairness to the local company, we said you furnish us a proposition and we will submit the two and let the people take their choice. We were getting ready to submit the By-laws, and sometime in the latter part of the year, I just forget the exact date, Mr. Moore, the President of the Company, called me over to the mill one day. Excuse me, just a few days previous to that he called me up and said " On a certain date we will discontinue the power ".

COMMISSIONER HARRIS : Q--He said that to you ?

A--Yes. He said " If you want it run you will have to look after it yourself ", so he asked me over to the mill that morning, and he said, now, this is the day, will you furnish coal for the steam plant. It was an auxilliary plant which was being run, and he said, we have no money and our credit is no good, will you furnish the coal, and I said, we will be responsible for a few days till we get things straightened up, and, in the presence of his brother

there he said: "Would your Council consider making us an offer of \$25,000 just for the plant".

THE CHAIRMAN: Q--That is, the local distributing plant ?

A--That was everything that we had a mortgage on. I said "\$25,000?" he said, "Yes". Well, I said, I will call the Council together. He asked me to call the Council together, and I said I would. That was about eleven o'clock, and I had the Council together by about two o'clock.

Q--Excuse me, did that include the generating plant ?

A--I will come to that just in a minute or two. \$25,000, and he said " I will phone to Mr. Albrey, Clerk and Solicitor, and tell him the circumstances. So, as I say, I got the Council together, and when we assembled in my room I told the Council what had happened, and that Mr. Moore had asked us whether we would consider making him an offer of \$25,000 for the plant, and I said to Mr. Albrey "Mr. Moore telephoned to you, is that what you understood ?" He said, yes, and some of them said " What does that mean ?" Well, Mr. Albrey said everything that you have a mortgage on. We had a mortgage on the distributing part, the hydraulic part, and the lands in connection with the hydraulic part.

COMMISSIONER HARRIS : Q--But not the steam part ?

A--Pardon me just a minute. We instructed Mr. Albrey, our solicitor, to go and telephone definitely to Mr. Moore, and Mr. Moore said, "Yes, including the steam plant". So now you understand it was the distributing part, the hydraulic part, all the lands, and the steam plant.

COMMISSIONER R. A. ROSS : Q--Practically everything except the mill ? A--Yes. Now you understand, that is plain to you, is it ? We put a resolution through subject to the approval of the ratepayers; we thought that was their proposition.

THE CHAIRMAN: Q--Wasn't this proposition in writing; had he made a proposition in writing?

A--No, he didn't make a proposition in writing, Mr. Chairman. I will say this, that Mr. Moore that morning was frustrated, he was in a bad state of mind, and his brother attempted to speak to him and he would not allow him to speak to him at all, but that was the final statement. Our solicitor went and spoke to him over the 'phone and if the Solicitor was here to-day he would confirm that.

I think the next day, if I remember right, Mr. Moore telephoned to me. He said: "How did you understand that offer I made yesterday". I said I could only understand it in one way, Twenty Five Thousand Dollars for everything in connection with the electric lighting business, including the steam plant. Well, he said, I didn't mean that, I meant Twenty Five Thousand Dollars, and the mortgage the corporation had a mortgage of Eighty Five Hundred Dollars against it, and he said, would you have your Council consider that? I said, yes, I will, Mr. Moore, so I was going to call the Council together.

We had a meeting that night, and there was an invitation for me to go away up north, and we had a short discussion as to whether I would go. I advised them to have a public meeting, of the Public Commission and some of the ratepayers of the town, to just discuss the thing in a reasonable way, and some of them said "If you go away, well, we won't have any public meeting" and I said, surely you can have a public meeting without me. One of the fellows had a motion before us that we place before the ratepayers a bylaw for Twenty Five Thousand Dollars, with the mortgage, making about Thirty Three Thousand Dollars altogether.

THE CHAIRMAN: It might be a very natural mistake to make? A--Yes, I admit that. I hope I am making it plain to you, Mr. Chairman.

Q--Oh, yes, you are making it quite plain. A-I said: "Gentlemen, if this will help anything in the interests of the Corporation, or anyone else, I would like to go up north with the rest of the Mayors, but I will stay home and have this Meeting to-morrow night, somebody else can go", and I appointed someone to take my place. Anyway, we were going to have the meeting the next night.

Mr. Moore called me up in the meantime, the next day, I think about noon. He said, you are going to have a general meeting to-night in the interests of this proposition, and I said, yes. Well, he said, it is no good having a meeting, it won't do us any good, so the Meeting was called off.

Now, in the meantime, I was forced to go to Toronto on some business. We were led to believe that a proposition came through the Bank of Montreal. The proposition that was brought in was for Fifty Thousand Dollars and the mortgage. It was discussed pro and con, and the clerk and solicitor telephoned next morning and said they couldn't come to any decision till I came home. That was the word I got. Well, I said, if there has been a meeting of the Council, the Commission, and a bunch of intelligent ratepayers, and they are in favour of submitting it to the ratepayers, why, I said, go on and submit it, that is apparently the proposition that is going to be before the people. I said, you don't need to wait till I come home, I am quite satisfied, I think it is quite all right to let it go before the ratepayers. You understand now, Fifty Thousand Dollars and the mortgage, which made about Fifty

Eight Thousand Dollars.

However, to be fair, the thing was put in the shape of a Bylaw, Fifty Thousand Dollars and the mortgage, and that was all got ready, and the Hydro, of course, gave us their figures in the meantime. That was all laid before the public in the press, everything like that, everyone got a fair chance. As I always said, I want to wash my hands of this whole thing. I did not want to do anybody any wrong. I want to do what is fair, lay it before them and let the people handle this proposition, they are the ones that will have to pay the money. Of course, there may be some important things that I am forgetting. Anyway, it came on to election time and I told the Georgian Bay Company, the President, that any time they wanted anything, we would call public meetings in their interest, and they went by me. Maybe it wasn't intentional, but he called a meeting of their own. They had a nice meeting, and everything like that was discussed, but they had had an engineer there that was brought in by a Committee.

MR. MOORE: Might I just ask a question at this point?

WITNESS: I did not interrupt Mr. Moore this morning.

THE CHAIRMAN: No, go ahead, Mr. Horsley.

WITNESS: There was a body called themselves the Citizens Committee. I don't know how they could be a Citizens Committee at that time, but they brought in an Engineer to appraise this plant, Mr. James Walkerton, I think. He had gone home, however, and at the first meeting he was unable to get back, although we had a meeting on Tuesday night, and Mr. James got back then, and I believe he had another meeting on Wednesday night, and Mr. James went into the thing quite fully, I think conscientiously,

as far as I know. I am not an Engineer, but he did not leave a very great impression on the public, that is, in favour of the Bylaw.

MR. R.J. McLAUGHLIN: What did he value it at?

A--They went on, and he valued the plant and gave us, I think, a very conservative figure. I believe the man was conscientious, but I think what turned the people of the Town of Meaford was that after valuing the plant, and considering what he thought was necessary to put the distributing part and everything in shape, to give us what he thought about 600 h.p., he had an initial cost of about Two Hundred and Eleven Thousand Dollars, and you have often heard about Engineers' estimates. However, it isn't for me to say, but they had two meetings and had the thing thoroughly discussed. He was the Engineer brought in by this Committee that took care of it, and I supposed he would give us as favourable an estimate as his conscience would allow him to do.

COMMISSIONER HARRIS: What was his valuation, though, on the plant that existed, without further expenditure?

MR. R.J. McLAUGHLIN: His valuation of the works was Forty Six Thousand One Hundred and Eighty Dollars, and of the land, Twenty Thousand Dollars.

COMMISSIONER R.A. ROSS: Did that include the distributing system?

WITNESS: Excuse me, I would rather continue till I am through.

COMMISSIONER HARRIS: Q--Are you going to deal with these figures later on?

A--Well, they are there if you want them.

Q--Well, you have made a statement there with regard to the Engineers report.

A--The report here is explained in the paper, and the initial cost, as I said, after buying the plant and remodelling it to a certain extent, putting it in shape so that we would have what he considered about Six Hundred Horse Power, is Two Hundred and Eleven Thousand Dollars.

COMMISSIONER R.A. ROSS: Added to whatever you paid for it? A--A total.

COMMISSIONER HARRIS: Let us get those figures down there? A--That is right up to the election, and I think that is as far as I can go on the one side. You understand that part of it now, after buying the plant as it existed, making some repairs, and putting it into shape so that possibly we would have 600 H.P., he has an initial cost there of Two Hundred and Eleven Thousand Dollars.

SIR ADAM BECK: This company had a monopoly, the sole company doing business there?

A--A monopoly, how do you mean?

Q--They were the only company doing business, they had no competition? A--They were the only company doing business, they had no competition.

Q--You hadn't any way as to what the rates would be during the period of the franchise?

A--No, sir.

Q--Their franchise has expired? A--It was renewed, Sir Adam, by a vote of the people; it expired August, 1922.

THE CHAIRMAN: I think that we will let the Mayor go on and make his statement.

A--In regard to the unfavourable things that were said about Hydro this morning, we had had several talks with Mr. James.

Q--Which Mr. James? A--Mr. James of the Hydro Electric, and I had the understanding with him that he was to come up

there and speak to the ratepayers any time we wanted a public meeting, and he said that he would, so when the time was about due I 'phoned to him one day and asked him if he could come up on a certain date. He said, I cannot come up unless I get some different orders. He said, I am told to keep away from there, and I said, is that so. I said, we have had this thing before the people so much, and you have promised to come, and we cannot possibly avoid it now. You will have to stick to your word. He said, you will have to get the order countermanded, because he said I cannot go unless I receive other orders. So eventually we got it fixed up. However, before he came up, he said, remember, I won't say anything detrimental to the Georgian Bay Milling and Power Company's proposition. I said, all right, sir. I think I telephoned to Toronto about Mr. James coming up.

SIR ADAM BECK: Q--Who did you do the telephoning to?

A--The final telephone conversation was with Colonel Carmichael, if I remember right. However, Mr. James asked me specially, or warned me specially that he would not say anything detrimental against the Georgian Bay Milling and Power Company's proposition. And that is one part that I omitted. I asked permission, at Mr. Moore's meeting, to get up and announce that Mr. James was coming, and I said, I want you people to understand that Mr. James is not coming here to say anything detrimental to the Company's proposition, he is a thorough gentleman in every way, he is a nice speaker, and carries himself well, and he won't knock the proposition at all, and when I introduced Mr. James that night -- they can all bear me out here -- I said, "Now, Mr. James is here to explain Hydro to you at our invitation, he will not enter into a controversy about the Georgian Bay

Milling and Power Company's proposition at all, he is just going to explain Hydro to you". And he explained Hydro to them and there were several questions asked, and I am surprised at Mr. Moore accusing me, as he did this morning. Mr. Moore started to ask Mr. James some questions about some of his dealings, and Mr. James was just in the act of answering and I said: "Pardon me, Mr. James, I don't want you to answer that now". I said: "Mr. Moore, Mr. James does not want to enter into any controversy about your plant at all," and Mr. Moore smilingly sat down, and that settled it. I was trying to avoid trouble. Mr. James said that he wouldn't, and Mr. Moore spoke to me the next day, - and spoke in quite an agreeable way, and thought it was quite all right, Mr. Chairman, these are the exact words he spoke to me next morning.

However, in the meantime - and I am very sorry to say it, - the company had gone into liquidation, and the Hydro bylaw received the support of the people. The bylaw for the purchase of the company's plant received all the possible support it could get, while the other bylaw stood on its own merits.

THE CHAIRMAN: Q--Which do you mean, the Hydro bylaw?

A--The Hydro bylaw stood on its own merits.

Q--That was carried by a majority of sixteen?

A--Nineteen, and the other bylaw went down by about sixty-nine, but you understand, there were a great many personally interested in this thing, and here they were, they didn't know at that time but what they might receive some recompense and they were supporting it, some of them actually said so.

I want the Commission to understand that I am here to vindicate the Hydro Electric Power Commission. They have been pulled into this thing. Of course, I did not have much

to do with it until last January. Then the people said, by a large majority, that they wanted a chance to vote on a money bylaw. These people had a franchise for another year. As I always said, Mr. Chairman, I am sorry to-day that the company isn't in a position to continue the same as before, because if they could continue and go on successfully I would myself support them having another contract.

Q--They might be able to do that? A--I have been a party two or three times already to renewing their contracts, once or twice for ten years at a time.

Q--Isn't that practicable now?

A--Well, who is going to play the practicable part? I cannot see it, Mr. Chairman.

Q--I don't know, but if both parties are agreed I suppose they could? A--But, Mr. Chairman, the position that we are placed in, surely the ratepayers have some rights, this thing has been properly vindicated, and the Council now has the vote before them, what are you going to do in the face of that?

Q--Of course, it would involve, I suppose, the expenditure of building a line to Meaford. What would that cost, Mr. Moore?

MR. MOORE: Well, I cannot answer that, I have heard it suggested, probably in the neighborhood of Fifty Thousand or Sixty Thousand Dollars.

WITNESS: If the ratepayers of Meaford want to have adequate power, and some spare power to sell to manufacturers, and they are willing to pay, we have to study that out. Have they not a right to it?

Q--Are they under any moral obligation to this concern that has built up its business there and supplied them with power for a number of years, and which would be practically

valueless if the Hydro comes in there?

A--Well, but the trouble is that we did not consider that we would have the power if we had developed, and, as I have always said, treat this thing on a business basis, don't treat it in a personal way. If you want to be gracious to the company, treat it as a business proposition. That is what the ratepayers would rather do. Understand me, these people have had a good inning. They had contracts there for about thirty five years, and we have paid those people a lot of money, and we are sorry that they are not able to continue, but I do not think it is our fault that they are not able to continue.

COMMISSIONER R.A. ROSS: Q--Supposing you are able to make a contract for a number of years, would that pull them out of the hole or would you be simply paying to the Bank? A--Simply paying to the bank, and we do not believe in reimbursing the Merchants Bank. The people of Meaford are not averse to helping the Company. That is the whole fact of the matter, and the Merchants Bank is the Bank that lost the money.

THE CHAIRMAN: Q--What was the Bank's claim?

A--About Seventy Two Thousand Dollars.

SIR ADAM BECK: That is now the unfortunate Bank of Montreal, isn't it?

WITNESS: We are extremely sorry that the ^{Company} is not able to continue. I have served the Corporation for about twelve years, six years as Mayor,- probably to the detriment of the Corporation, but I have served impartially. I have served there for the good of the Corporation, but if I had served the way some people have done, greasing their own fingers -

MR. R.J. McLAUGHLIN: There is nothing personal about it, Mr. Horsley.

THE CHAIRMAN: What would be the cost of taking a line into Meaford?

MR. GABY: Transmission lines and stations?

COMMISSIONER HARRIS: What is your estimate of price?

MR. GABY: That all depends on the load they can get.

THE CHAIRMAN: From two hundred up.

MR. GABY: From Seventy Six Dollars down to about Forty Five Dollars, as I remember.

MR. JAMES: Seventy Four Dollars to Forty Six Dollars.

MR. R.J. McLAUGHLIN: Seventy Four Dollars is for how many h.p.?

MR. GABY: Seventy Four Dollars is for 200 H.P. and Forty Six Dollars is for 500 H.P.

COMMISSIONER HARRIS: Q--Is the town satisfied at the Seventy Four Dollar price?

WITNESS: We would not be expecting to continue at the Seventy Four Dollar price. They were expecting that probably, when we were able to furnish power for commercial use, that the price would be reduced.

THE CHAIRMAN: Have you not been able to get any for commercial use there?

A--A few years ago, the man that first started those negotiations, tried hard to get Hydro to come in then, and they told him he would have to spend about Seven or Eight Thousand Dollars, but you see the position we are in now. We have tried to be fair with everybody. We do not start on high class and have to drop down into the low class, but we thought we had better start low, because if we could reduce that, Mr. Chairman, it would be better, and more satisfactory for the people, and if you can use Seventy Four Dollars for 200 I think we can use the 300 rate, and the day may come when we may have some

valuable manufacturers up there. Take one manufacturer saying, here, I will take 100 h.p., another fellow says, I will take 50, and another says he will take 50, you see, gentlemen, that is going to put us into a different class altogether.

COMMISSIONER HARRIS: What is your estimate, Mr. James, on the Forty Four Dollars?

MR. JAMES: Five Hundred.

COMMISSIONER HARRIS: Five Hundred is the minimum price?

Q--What is your load now, do you know?

WITNESS: Well, I don't know, I cannot tell you.

MR. GABY: About Two Hundred.

THE CHAIRMAN: That will be Seventy Four Dollars.

MR. GABY: At Two Hundred, yes.

THE CHAIRMAN: What have you been paying?

WITNESS: By the horse power, I cannot answer that question. Could you answer, Mr. Gray?

MR. GRAY: I think Mr. Moore is more competent to answer that.

WITNESS: Do you know, Mr. James, the price per h.p. they are paying now?

MR. JAMES: Their rates are six and two.

WITNESS: The commercial rate?

MR. JAMES: They are not selling any power. There is a scarcity of power. There is really no power load at all in the municipality.

MR. MOORE: We have been charging about Thirty to Thirty Five Dollars for what power we have been selling, and the Georgian Bay Milling proposition Twenty Dollars for what it has used, to the extent of One Hundred and Fifty Horse Power.

A--Something that appealed to the ratepayers there when they considered it, they considered that if they had to have an initial cost of getting the power in shape at Two Hundred and Eleven Thousand Dollars, it might turn into Two Hundred and Fifty Thousand Dollars, and they considered that they would then be paying probably a rate which would be higher than they were going to be charged for Hydro, and then what would we have when we are done?

THE CHAIRMAN: The plant, I suppose. Mr. Moore, do you want to ask any questions?

MR. MOORE: Mr. McLaughlin, Mr. Chairman, is here with me. I have not been able to talk the matter over with him, and he is not familiar with the situation. However, I would like to ask a few questions.

Q--Mr. Horsley, you stated that Mr. Kent was the first Mayor to begin negotiations, and I think I put in a report this morning from Mr. Kent, in which he got the report of the value of the plant from Mr. Gaby's Engineers. Are you familiar with that?

A--I have seen it, Mr. Moore, yes.

Q--And that showed a replacement value of about Ninety Five Thousand Dollars, and a cash value of about Sixty Five Thousand Dollars?

A--Of course, that is some years ago.

Q--I know, it is all the better for us. Then, Mr. Londry, you said he continued?

A--He had some communications, yes.

Q--And I put in a letter this morning, in which Mr. Gaby gives an idea of the cost of developing power to the extent of six hundred horse power, and he brings it around One Hundred and Fifty Eight Thousand Dollars and says that that will develop power at Forty Two Dollars a horse power?

A--I never saw that letter which Mr. Londry got.

Q--Well, I don't know whether you did or not. Did you ever ask for estimates on either the value of the plant or the probable cost of developing power?

A--No, sir.

Q--Why did you not? A--Because there was a contract which we had been kind enough to give to you people, that was in existence.

Q--But that was further on than 1915 when Kent started?

A--I didn't make any inquiry.

Q--Mr. Kent made his inquiry in 1915, Mr. Londry his in 1918, and I think you were Mayor for a period after Londry?

A--I was before Londry, Mr. Moore.

Q--Were you not Mayor during 1919 and 1920?

A--1907, 1908, 1909, 1916, 1917 and 1922. Mr. Gray came in between.

Q--And you say you did not do anything towards furthering the negotiations for Hydro? A--No.

Q--You made a good many trips to Toronto, to the Hydro, didn't you? A--No, sir. Pardon me just for a minute. Can you prove that I made any trips in 1916 or 1917?

THE CHAIRMAN: I don't think we need go into that?

A--I don't think I made one trip.

MR. MOORE: I have accepted his answer.

Q--You say that during 1922 we offered you the plant for Forty Thousand Dollars. How did we do that?

A--How did you do it?

Q--Yes? A--When we started to negotiate you used those words "I am sick and tired of this proposition, we want to get out of this business, and we don't want to sell the distributing part, buy the whole thing, would

you consider Forty Thousand Dollars for the whole business?" That is what you said right in my office.

Q--I never made such a statement as that, Forty Thousand Dollars. Now, then, later on you say that I called you up in the office one morning and offered you the plant for Twenty Five Thousand Dollars, or rather asked if the Council would give me an offer of Twenty Five Thousand Dollars? A--Well, isn't that right?

Q--That is what I want to know, what led up to that? Had I told you anything about our circumstances, conditions, and so on, did I give you a reason? What led up to this offer, or to this request on my part asking you to call the Council?

A--You asked me if we would consider an offer of Twenty Five Thousand Dollars.

THE CHAIRMAN: Is there anything to be gained by us going into this conversation at all?

MR. MOORE: I don't want the opinion to go abroad that we have been offering our plant at any sort of a price at all. My memory is that I explained - t

THE CHAIRMAN: I don't think that would make any difference.

MR. MOORE: I would like to state to the Commission that, at that time, I had a proposition from the bank to settle with them, and my real object was to get an offer from the Council of Twenty Five Thousand Dollars, and I think I said to Mr. Horsley, now, we cannot take that price for it, but I want this offer from the Council to put something up to the bank that will give me a basis to work on, and when Mr. Horsley called a meeting of his Council, and they offered or agreed to make an offer of Twenty Five Thousand Dollars, and then followed that up

by including the Eighty Five Hundred Dollar mortgage, then I had something that I could go to the Bank with.

THE CHAIRMAN: I don't see just where we are getting to.

MR. MOORE: My reason for that was this: that I really expected to borrow the Twenty Five Thousand Dollars from the town, putting a proposition up to them, but I wanted some basis of putting a proposition up to the Bank. Now, then, he has talked of a Citizens Committee.

THE CHAIRMAN: That really does not make any difference to us at all, I am not interested in that. That is all, Mr. Moore.

MR. CLARKSON: Mr. Gregory, I am Trustee for the Georgian Bay Milling and Power Company, and I feel this about it, that it is unfair that the moneys of the Province of Ontario shall be used, through the Hydro Electric Power Commission, to tie up the Eugenia System, yet we do not want to do anything that is going to destroy this investment in that plant up there.

THE CHAIRMAN: Supposing this present investment is inadequate to furnish them with the amount of power required.

MR. CLARKSON: If it is an inadequate investment, and an investment that cannot be made appropriate, I would like to suggest to the town this, in fact, I have asked the Commission to delay executing the contract till I put the facts before them, as I see them, in the hope that it may lead to some arrangement being made and this property, or this investment up there might not be destroyed. I have asked that this matter be delayed, as I say, and I would suggest to the Town to let this matter lay open for a while until we can discuss it and see if we cannot get to

some basis of settling the difficulty between the Power Company and the town, and it may form the foundation for some arrangement that may lead to the cleaning up of this whole matter.

I do think it is unfair, at least I do not think it would be equitable if \$50,000 of the money of the Province is used to tie the system up to the town. I would ask, therefore, that the matter be left over, if it is at all possible, to see if there is any chance of getting together.

COMMISSIONER R. A. ROSS: Would there be any hardship to the town in leaving this open for a short time ?

MR. HORSLEY: I just want to explain the position the town would be placed in if this plan is held up for a short time now. You understand, our contract runs out in August, and in the meantime, if we are going to get a supply from Hydro, Hydro has got to bring in their tie line , so you can see where we are getting to. We are now in the month of March. That is the position we were in last year when we renewed the franchise for a year. This thing has been hanging fire for two or three years. If we cannot get power out of there without paying four or five prices for it, why not give us Hydro ? We are here to get the contract signed by Hydro, and we do not expect to be kept on in an unfair way. I believe the corporation if they could get it at a little more than they are paying at the present, if they had somebody able to take care of it --

THE CHAIRMAN: Cannot you get sufficient power?

MR. HORSLEY: We haven't been able to get it.

MR. CLARKSON: I have just been in this thing about ten days. I think there might be a solution for the difficulty, and there can be no harm in trying. ,I have listened to what Meaford had to say, and it struck me as being well

at present just to let the matter rest.

THE CHAIRMAN: Mr. Clarkson is the peacemaker.

MR. R. J. McLAUGHLIN: Your present requirements only seem to be 200 horse power?

MR. HORSLEY: Yes.

MR. R. J. McLAUGHLIN: According to this report here 200 horsepower would only cost you, under the present development, \$52. per horse power, including your sinking fund. You can take 300 horse power here from the present development which would give a cost of \$52 per horse power that would include sinking fund.

MR. HORSLEY: Yes, but do you know the state of affairs up there, do you know the condition that the plant is in?

MR. R. J. McLAUGHLIN: Well, this provides for the repairs to the plant, and putting it in good condition; it provides for repairs and renewals, capital cost \$61,680 plus \$5000 for interest and immediate repairs, which makes \$66,680, which, at 20-year 5 per cent debentures would be about \$5,580 per year, provision for depreciation, and repairs, \$3,000, oil and fuel \$2,400, and wages \$5,000, which makes \$15,980 per year, which is just for the 300 horse power what they would be paying the Hydro-Electric for 200.

MR. HORSLEY: Yes, but, gentlemen, where do we get off at when we take a one-horse system like that? Those figures were prepared by an engineer brought in by the Committee, he wasn't brought in impartially by the Corporation.

MR. R. J. McLAUGHLIN: Well, now, there is a report from the Hydro-Electric Power Commission of three years ago, which placed a value on the property of \$62,000 something.

COMMISSIONER J. A. ROSS: I do not see that we are getting anywhere. Are you in a position of authority to talk for the town of Meaford?

MR. HORSLEY: I am not.

COMMISSIONER J. A. ROSS: Then why are you continuing this discussion at all?

MR. HORSLEY: I was sent down, as a representative of the

town, by the Council.

COMMISSIONER J. A. ROSS: It seems to me that Mr. Clarkson has made a good suggestion, and if a month or two would be sufficient to negotiate, I think that negotiations should be entered into between the proper parties, and some agreement could be come to, and if a satisfactory arrangement cannot be arrived at you can come back to us.

THE CHAIRMAN: It rests in the hands of the Commission, I should think.

MR. HORSLEY: Mr. Chairman, there is a resolution here by Council appointing Reeve Riley, ex-Mayor Gray, and ex-Mayor Horsley. Mr. Gray is here if you would like to hear him.

THE CHAIRMAN: We will hear anyone, Mr. Horsley, if there is anything to be added to what you have said. Of course, we have no authority, you know, to order delay, or anything of that kind. We can just hear you and report our conclusions.

MR. HORSLEY: We want to go before the Commission tomorrow, and get our contract signed and take it back.

THE CHAIRMAN: Mr. Clarkson has been before the Commission too in a matter of this kind. Where it would practically put a man out of business you might well proceed about it slowly.

MR. HORSLEY: He has ^{had} a good franchise for 35 years, we haven't put him out of business, and I am sorry that he is out of business. Remember, I say that conscientiously.

THE CHAIRMAN: There is evidently some feeling in the town, as there generally is in places of this size, in matters of that kind, but I think you should try and use some consideration toward each other.

MR. HORSLEY: Mr. Chairman, the great bone of contention is, as you know, that unfortunately there must be fifty or sixty personal creditors in town.

THE CHAIRMAN: They have got to be considered, they have interests to be considered.

MR. HORSLEY: They won't get anything out of it anyway, not even if they get the price that was submitted at the 1st of January.

THE CHAIRMAN: I should think it is in the power of the Commission to sign that contract if they want to.

MR. HORSLEY: We will make as good a plea as we can tomorrow.

MR. MOORE: Do I understand you to say that if they got what was voted on on the first of January the rest of the creditors would get nothing, that it wouldn't have done anybody any good? A--Well, I don't know that, but I don't see how it would very well balance up.

THE CHAIRMAN: Of course, that is neither here nor there in the matter.

MR. MOORE: We had a bargain, Mr. Chairman, with the Bank. We had made a promise with the Bank, and this amount that the town would pay us for the electrical plant, together with some cash that was in the hands of the Bank to collect would have paid the Bank, and would have given us, we considered, over \$50,000 of property besides, to either pay the rest of our creditors with, or to have continued in business and pay them later on out of earnings, that was really the proposition submitted to the people.

MR. HORSLEY: I am sorry I had to come down here. I believe the Corporation are entitled to what they have voted for. This question has been thoroughly discussed, in every shape and form. We had one of the old-time local option fights up there and it was a good one.

THE CHAIRMAN: But here is the Province asked to put in \$50,000.

MR. HORSLEY: But the Corporation has to pay for that. We might miss an industry by not being able to supply the power if we continued with the present development.

COMMISSIONER R. A. ROSS: Mr. Horsley, all your testimony seems to be to the effect that the initiation in all this matter was taken by the Municipality, and that the Hydro had been dragged into it rather unwillingly.

MR. HORSLEY: Yes.

COMMISSIONER R. A. ROSS: You are put in the position of having destroyed your chief industry. Don't you think a little delay might be justified under these conditions, to see if some arrangement cannot be come to.

MR. HORSLEY: We have been talking that kind of business for years, we did not force those people out of business.

COMMISSIONER R.A.ROSS: It looks like it.

MR. HORSLEY: Not by any means. They have gone into liquidation, we didn't do that. We have loaned them money from time to time.

SIR ADAM BECK: Unfortunately, the expiry of a franchise puts them out of business.

THE CHAIRMAN: The Conmee Act has been mentioned here, and you would have had to arbitrate with them before you could get the Hydro in at all.

MR. HORSLEY: We would have been willing to do that. If I had been in authority I would have been willing to arbitrate and give them what the thing was worth.

THE CHAIRMAN: I think it is a matter for the Commission to deal with. No doubt they will be governed somewhat by existing conditions.

COMMISSIONER R. A. ROSS: I cannot speak for my colleagues here, but I will say this: We have no power to remedy the situation, you are the only people who have a chance to open this up, and show a little decency in connection with it now. If you do not show that little decency we cannot take any action, but it will leave a bad flavor in my mouth.

MR. HORSLEY: You take last year, Mr. Commissioner, we offered \$12,000 for the distributing part.

COMMISSIONER R. A. ROSS: Yes, and what use would the rest of it be to them if you had taken it ?

MR. HORSLEY: Run their mill.

COMMISSIONER R. A. ROSS: They had power to sell, they had a contract with you; you take away the distributing part and they lose the whole thing; they lose the value of the water power. They were selling power.

MR. HORSLEY: And they received their money for it, and if they haven't made good it is their own fault.

THE CHAIRMAN: The Hydro has great power, and I think this, that whether this industry will be affected or not they should realize that and use their power with all justice.

MR. R. J. McLAUGHLIN: Justice is about the most important thing there is for the success of a country.

SIR ADAM BECK: Mr. Chairman, you do not wish us to remain ?

THE CHAIRMAN: I am not going to order you to remain, Sir Adam. These gentlemen are here, and you are the ones that have to deal with them, and you should listen to what they have to say, they won't be long.

SIR ADAM BECK: The town has signed the contract. Mr. Clarkson, I believe, has asked us to defer signing it, I don't know why, but I thought he would come and see us and explain the matter to the Commission. It is a couple of weeks ago since he asked us to defer signing the contract and we haven't heard from him since. We merely did it as a matter of courtesy.

S. A. GRAY, Called.

I feel that I am imposing, Mr. Chairman. Mr. Horsley has covered the ground pretty well, and I hardly know where to commence, to touch on something that would be new to you. I notice he referred to my term of office, three years, 1919-20-21, as Mayor. What I want to refer to is something that came before me personally, with reference to those negotiations with Hydro.

Within the first few days after I was elected, I met the junior member of the Georgian Bay Milling and Power Company. Mr. T. J. Moore, and he congratulated me and said "I suppose you will be taking up Hydro-Electric?" Well, now, I told him, I had not outlined my course at all. Well, he said, I want you to understand our position. We are with you if you want to negotiate for Hydro-Electric. A week from that I was approached by Mr. T. R. Moore. He came into the office, he is the second member, and he told me the same thing.

Now, feeling that I had two of the members of the Georgian Bay Milling and Power Company at my back, I entered into negotiations with the Hydro-Electric, and Mr. Horsley has dealt with it pretty well, and there is no need of my wasting any of your time, as far as the negotiations are concerned. There was this about it, I felt that if there could be anything done, in a reasonable way, to help out the local company, then it was my duty to do what I could.

I want to state that my proposition was along the lines I had figured out myself. I suggested it to Mr. James, and he said it would be considered by the Commission, that is, I hoped to get connection with the Hydro-Electric and at the same time keep our local plant in operation. My proposition was this, that we would contract for a certain amount of power from the Hydro, and let the local plant run their mill, which took 150 horse power, as stated, and supply what would be

termed the peak of the load for the Corporation. Now, the peak load is where the profit comes in, and I thought if the Georgian Bay Company could get the benefit of the peak load it would keep them on their feet, they wouldn't suffer very materially by any change.

Now, Mr. James is here, and I think he will bear me out on that, - I didn't get any encouragement from the company as far as any negotiations I had with them. Mr. James and I outlined it, and he said he thought it was workable, and I approached Mr. Moore regarding it. There has been a lot said here today, Mr. Moore is representing, as he says, the creditors. We are here, as a Committee, from the Council, representing the town of Meaford. Certain arguments have been presented by Mr. Moore, and it all goes to show that they established a number of years ago, or bought out an already established small electrical plant, and their contracts have continued since that with the Corporation of Meaford, but I have not heard Mr. Moore state wherein the town failed to carry out any part of the contract, and I have not heard that the town is responsible, in any way, for the downfall of the Georgian Bay Company.

He has stated today that that was owing to the fact that they had spent their money in the town, and they had come to a point when they had to assign, and he claims certain consideration from that. Well, now, if he considers the town of Meaford is responsible for any of their downfall I haven't heard it from him today.

COMMISSIONER HALEY: I do not see that we are getting anywhere with this.

MR. GRAY: Well, now, my thought was this, that Mr. Moore has put up a claim that the town is responsible for their downfall. If you don't want to hear anything more along that line I will quit.

THE CHAIRMAN: I think we have heard about as much as we want to.

MR. GRAY: Just let me state this before I sit down. The town is not in very good shape at the present time. They have voted on a by-law, and it has been carried, to bring in Hydro-Electric power. The town have carried out their part of the contract, it has been signed, and we are in a position where we are liable to be put in darkness at any time. There hasn't been a night service for the last three or four months. Last night there was no service at all from 12 o'clock to half past 5, that is, street service. That isn't a good state for a corporation to be in, and we are naturally anxious to get in the position so that we will not be in total darkness. The lighting there is not in good shape, it is a plant that has served its term of usefulness, it has run for twenty years. The Hydro makes provision for a renewal every twenty years; that being so this plant has run over that term, and for the town of Meaford to take it over, even at a low price, seems to be a bad investment, because we will have to go to work at once and spend considerable in repairs, and we are not in shape to do that, we cannot finance it and put it in shape to handle conditions as they arise. Another thing, we are not in shape today to cater to manufacturers.

I want to say in the presence of Mr. James who was up there a few years ago, we canvassed the town for power, and I think, if I remember, we figured out 250 horse power.

MR. JAMES: There was a little bit more than that. You mean in power load ?

MR. GRAY: I mean for manufacturing purposes.

MR. JAMES: Yes, for manufacturing purposes.

MR. GRAY: We haven't any plant there that could now supply any power at all to manufacturers, and while we haven't any at present we had assurances that they would tell

that much three years ago. Now, that is the condition of things; I don't want to continue any longer, but we are not in goddshape as a town, and we simply appeal to you, on behalf of the corporation, to consider this as a corporation and not as creditors of the company. They have already assigned and is there any reason why the corporation of Meaford should be responsible for men who have gone into a company and lost their money.

If there are any questions anyone wishes to ask I will be pleased to answer them.

THE CHAIRMAN: Do you wish to ask anything, Mr. Moore ?

MR. MOORE: Up to the 2nd of January, Mr. Gray, the service was 24 hours, was it not ?

MR. GRAY: I think so, Mr. Moore.

MR. MOORE: Yes, that is, up to the time of the vote, after which we felt as though we were through.

THE CHAIRMAN: What you have said applies to what has taken place since that date ?

MR. GRAY: Since the first of January.

MR. MOORE: The reason now is that the Assignee has refused to run the plant, and the town is simply running it in a sort of a half manner, and are not trying to give the service that we would have given, because they don't wish to buy so much coal. The town is doing the best it can. The past season has been a very dry one, the driest season that we have had for 35 years, consequently, there isn't water enough to run 24 hours of the day, and the steam plant is still being used. Had we been running the plant and carrying out our contract, we would have still kept up a 24-hour service, by spending a little bit more money for coal than the town feels like spending. They are satisfied with a service up to 12 o'clock, starting up at 5 o'clock in the morning.

WILLIAM RILEY. Called.

Mr. Chairman and Gentlemen probably I can throw a little light on it, although I think the two ex-Mayors have covered the ground pretty well.

I will take it up from the time of the \$25,000 offer plus the mortgage, amounting in all to \$33,500. The Council had their Solicitor put that in the form of an agreement, and the agreement was accepted by the Council as a proposition to submit to the rate-payers. There was a dispute, and we had the Solicitor come to the Council Chamber. We took the matter up with the Solicitor. I questioned him myself. I asked him why he didn't think the Bank would accept \$33,500, and he said the reason was that the credits which had been given by the Bank would exceed the amount mentioned in the agreement.

Well, now, it carries on to the election. Mr. Moore says that the company has not been given a fair deal. We had an agreement framed particularly by very shrewd lawyers, together with the town's Solicitor. The agreement with the Georgian Bay Milling and Power Company put us in this position: With the two by-laws being submitted to the people if the Moore by-law carried by a majority of one even if the Hydro by-law had a majority of 500 the Hydro by-law automatically dropped out altogether, and the majority of one gave them the selling of the power to the town, which would have been carried out. We are in this position, that for the last two months we have been threatened repeatedly that we are about to have our lights cut off at any time. We are running on extensions of 15 days. Really, we are not getting any service at all. The town has assumed this responsibility at present: If there is a deficit in the running of the plant they will assume that deficit and pay the difference. Our corporation cannot continue and allow this thing to drift on

indefinitely, we don't know where we are going to end. We are not in a position to continue on with the service we are getting now, it is a very bad service.

I think the question has been properly laid before you today, and I cannot see why the creditors of the company, or the Bank of Montreal should bring pressure to bear upon this Commission to deprive us, or to prevent the Hydro-Electric Power Commission from signing our by-law.

THE CHAIRMAN: We are not doing that Mr. Riley, we haven't the power.

MR. RILEY: I thought probably that was the move. I would not like to see the town held up any longer. We have all entered into this thing in good faith, it has been properly carried through, legally and every other way, and the agreement has been signed by the Mayor and Clerk, and is now in the hands of the Hydro-Electric Power Commission, and the only thing we look for is fair treatment.

THE CHAIRMAN: That is a matter for the Commission, we have no power to restrain them from signing the agreement.

COMMISSIONER R. A. ROSS: The reason your power is costing you so much lately is because you are running almost entirely by steam and not by water.

MR. RILEY: That is it, and the coal proposition is a very costly operation at the present time. The question was properly laid before the rate-payers. The company had practical men, they showed the people what could be done in the way of development, they gave them all the information possible. They had the report of Engineers James from Walkerton, and they also had the address from Mr. James of the Hydro, and the rate-payers of Meaford accepted the Hydro, and I do not see why they should be stopped from having it.

We are reaching out for industries. Meaford is a town that cannot depend on agriculture any longer. It must go

ahead, and it can only go ahead by having industries, and if we are going to have industries we must have power to offer, and we must not be led away with \$74 horse power, because each industry that comes in and takes power reduces that rate, but that has been the talk that has been thrown up to our people all through the campaign, "You cannot get an industry on a \$74 rate!" The idea is that when they take 100 horse power we drop to the next rate, and needless to say we expect to keep on using more power all the time. We passed a by-law yesterday for an industry.

COMMISSIONER R.A.ROSS: Every place is doing the same thing, and there might not be enough industries to go around.

MR. RILEY: We have an ideal location, and I think, probably, with a little push, with our location, being close to raw materials, etc. good rail and water connection, I cannot see any reason why we should not get some industries. We are going to apply to the Dominion Government for an elevator, and I would not be surprised but what they would want electric energy.

MR. MOORE: Mr. Riley, you remember that publication I gave the Council, or the people, the rate-payers, as to the gross receipts and gross expenditures of our plant from December 15th, 1921, until December 15th, 1922 ?

I haven't that with me, Mr. Chairman, but I thought I might verify it from Mr. Riley's evidence. Did you pay much attention to it, what impression did it make on you ?

MR. RILEY: We hadn't any verification of the figures given, we had to take it as it stood.

MR. MOORE: Didn't Dr. Wolfe say that he had gone over the statement of our receipts and had verified the fact that our receipts from domestic purposes, were some \$11,000 ?

A--Well, I cannot say now, I don't remember that.

Q-- As to the value of our plant,- I am just quoting offhand now, but I think the statement showed gross earnings

of \$11,300 from domestic lighting, and the town of Meaford, we contract with the town, - the statement showed about 50 customers who were only paying \$13 a year, or 25 cents a week. Now, then, while I am speaking there I may say that the minimum charge for Hydro stipulated in their contract is \$18 a year and, as I have said, we have 50 customers now on our books who are only paying \$13 a year, while under Hydro they will have to pay \$18 a year. We felt that was a pretty strong argument in our favour.

Then again we had receipts from the town of Meaford for street lighting, public buildings, and so on, of over \$3000, and in addition to that we felt that, as between the power plant and the mill, the town would consider it a very reasonable estimate if we put in \$3000 as a charge against the mill, or \$20 a horse power for 150 horse power. That made gross earnings of \$16,000. Under Hydro that 150 horse power would probably have cost us \$7000 or more. However, we wanted to be absolutely fair, and we prepared a statement. Our gross receipts last year were about \$16,300 or \$16,400. Our wages paid out were \$5000, and our coal and wood, etc., about \$2,500, and we spent about \$1,500 on capital account. We have been doing that every year, ever since we had a plant, we had to do it, some years \$4,000 or \$5,000. It ran the gross profit to some \$7,000 on our plant last year. Now, that enabled us to meet our debentures of \$1500 or \$1600, and would have enabled us to put about \$4,000 into the plant.

I believe this Commission understands our position, that we were near the end of our contract, we were in trouble financially, and we haven't had a fair show at all with regard to our electrical plant. Now, that is all I want to say.

MR. RILEY: We investigated the question that you now bring up. We find that these rates were submitted at the time when we put our plebiscite vote, we had those rates included with the agreement that we gave you last summer

for a one-year extension of the franchise. Since that time, the last three months, we have been operating under similar conditions as you have been, during the summer season, and we are having a deficit monthly with the operation of the plant. How is that you could have such a large revenue under similar conditions?

MR. MOORE: I took from December 15th, 1921, until December 15th, 1922, and gave actual expenditures in our steam plant. But, as a rule, we get water in October. This year there has been no rain from July, consequently, there is an abnormal condition, and our stream is the same as every other stream in the country.

(The Commission adjourned at 6.20 p.m. Tuesday, 27th February, 1923, until 10.30 a.m. Thursday, 1st March, 1923.)

HYDRO ELECTRIC INQUIRY COMMISSION

PARLIAMENT BUILDINGS, TORONTO,

THURSDAY, 1st MARCH, 1923.

PRESENT:

W. D. GREGORY, Esq.,	Chairman
M. J. HANEY, Esq.,	Commissioner.
LLOYD HARRIS, Esq.,	Commissioner.
R. A. ROSS, Esq.,	Commissioner.
J. A. ROSS, Esq.,	Commissioner.

HON. I. B. LUCAS	}	Representing the Hydro- Electric
R. T. JEFFERY		Power Commission.

GENERAL SUBJECTS

ARTHUR HAWKES, called.

THE CHAIRMAN: We interrupted you the other day,
Mr. Hawkes.

MR. HAWKES: Well, Mr. Chairman, a week ago today I had stated what seemed to me to be the fundamental fact with regard to this Hydro-Electric Power Commission. I said the proof is that it has been entirely a lawless body which had overthrown responsible government in this Province, and that the responsibility was upon Sir Adam Beck, about whose relation to the matter I made no bones whatever. I have had the opportunity of thinking over carefully what I said the other day and I only regret that I did not make it somewhat stronger.

THE CHAIRMAN: We might have had to call you to order.

MR. HAWKES: I think I know how to keep within Parliamentary rules.

I got to the point where I quoted from the Report of the Provincial Auditor for 1914-15, in which he had said that there was a defiant disobedience of the law, and that there was an increasing amount of unauthorized expenditure, which was really what Mr. Clarkson had been saying. I think the Commission might, and should, look very closely into the circumstances surrounding the attack made by the Provincial Auditor upon the Hydro-Electric Power Commission, because, if you examine the evidence which I shall suggest to you --

Q--What evidence, Mr. Hawkes?

A--Evidence that I am going to suggest to you, it will be clear that whether Mr. Clancy was inspired or not to make his attack, which became public in 1916, and was a matter of much discussion in the Public Accounts Committee, it synchronized, to say the least, with a revolt of the Government itself against the lawlessness of the Hydro-Electric Power Commission, and with an attempt to put matters right by legislative action, as I think I shall prove to you, that revolt on the part of the Government was fruitless.

The Chairman of the Commission had resigned from the Government in October, 1914.

THE CHAIRMAN: Well, the Government came to an end, did it not, Sir James Whitney's Government, and he did not go in with Sir William Hearst's Government?

A--I think that is the exact way.

Q--You spoke of the revolt of the Government? A--Yes.

Q--Have you any evidence of that? A--Mr. Chairman, I am going to bring evidence for everything I say here.

Q--I thought you were basing it on the time that the old Government went out? A--Oh, no. The revolt of the Government is shown in the passing of what was called the

McGarry Act of 1916, which was an amendment of the Power Commission Act. It was done also in the Hydro-Electric Railway Act of that year, and also in the Niagara Development Act of 1916.

Unfortunately, for purposes of final, conclusive evidence, the proceedings of the House, while they are covered in a way by the Journals of the House, have no Hansard, there is no official record of what has been said and, therefore, I hope you will rule that it is perfectly proper to quote from newspaper reports of what was said because, after all, the newspapers are the only means by which the public and the legislators who were not present in the Chamber, can learn of what actually has been said, and I now give you some proofs of the revolt of the Government against this domination, this setting up of a power, which was really a political power, and which defied the Government.

I quoted to you the other day from the provisions of the Act which says, that the accounts of the Hydro-Electric Power Commission should, in all respects, be audited, as the public accounts were audited.

The Provincial Treasurer, Mr. McGarry, is reported as saying in the Public Accounts Committee, - I am sorry to say that I have not been able to obtain from the Provincial Treasurer's office a copy of that volume for that year, I had one some time ago --

Q--Is there a report of the proceedings ?

A--There are reports, but they are not official reports. It is one of those cases in which ^{you} must, if you use the Government reports, also use what the newspapers have to say about what they said. However, the Provincial Treasurer, Mr. McGarry, is reported in The Star of April 11th, 1916, as follows:

"The Provincial Treasurer declared that there had been much trouble in getting vouchers from the Hydro. 'I went down to the Hydro offices myself and even endeavoured to put a staff in there but was told there was no room'

Sir Adam Beck could not understand why there had been delay."

Mr. Andrews was then an Accountant who was acting, to some extent at least, in the capacity of Mr. Clarkson today.

"Mr. Andrews declared that there had been no request for vouchers from 1910 to 1915.

Mr. McGarry immediately pointed out that he had correspondence showing that vouchers were asked for in the spring of 1911 but the letters were not answered until November."

Before that, and in keeping with the report which he had made, and from which I have read, Mr. Clancy had stated in the Public Accounts Committee:

"I informed the Government that it was not proper for me to continue to sign cheques until they let us have all the accounts. I advised the Government from time to time during the whole period from 1909 to 1915 that we were not getting the accounts."

There you have the evidence.

Q--Was Mr. McGarry Provincial Treasurer then ?

A--Mr. McGarry was Provincial Treasurer for part of the time. My recollection is that Col. Matheson was Provincial Treasurer part of the time, Mr. Lucas part of the time and Mr. McGarry the rest of the time when this took place.

THE CHAIRMAN: When did Mr. McGarry come in, Mr. Lucas ?

HON. MR. LUCAS: 1914.

THE CHAIRMAN: And were you Treasurer before that, for how long ?

HON. MR. LUCAS: For, I think it is, a year and a half.

THE CHAIRMAN: You succeeded Col. Matheson ?

HON. MR. LUCAS: Yes.

WITNESS: For six years Mr. Clancy was complaining of being asked to sign cheques without sufficient vouchers. At last, in 1916, for the first time, if my recollection is right, and so far as I can learn, you had members of the Government coming out and complaining, in effect, that the law had been broken, that the auditing of accounts, as provided for in the Act, had not been observed.

I hope to come back presently to one of the methods of dominating, or of overthrowing the Government and its power, through the establishment of these Associations which I described the other day, Sir Adam Beck's political machines, the two Associations of which Mr. Hannigan was Secretary. And I am going to suggest to the Commission that you should subpoena, and examine in a very thorough manner, members of the Hearst Cabinet, including Mr. Lucas, with a view to getting the truth about what the relations between the Government and the Hydro-Electric Power Commission, as represented by its Chairman, were, and I shall show you, I think, Mr. Chairman, the great desirability of doing that, from the kind of evidence which I am going to submit to you.

You may remember I said the other day that Mr. Clancy had alleged that improperly, in an unauthorized way, public money of the Province, under the control of the Province, to the tune of over \$300,000 was used, without Statutory authority by the Hydro-Electric Power Commission for the construction of the London Municipal Railway, that has since been paid back, and I have quoted you from Mr. Clarkson's report what he said about it, which was in direct contradiction to what Sir Adam Beck said.

Q--Not the London Municipal Railway ?

A--It is Municipal in the sense that it is owned by the City of London, the London & Port Stanley. This question has to do with the very heart of this whole matter, as was shown here the other day with regard to unauthorized expenditures. That was up in the Legislature yesterday.

Then again from the report of April 12th:

"Mr. McGARRY: Was not a minute of the Board passed - " (that is with regard to this using of Provincial money for the construction of the London & Port Stanley) - "Did the other members of the Commission know of it?"

Who were the members of the Commission at that time ?

Sir John Hendrie was one, and I shall have something to say about his relation to this in a moment.

Q--Who were the others ? A--Mr. McNaught.

Q--Mr. Lucas ? A--No, no, Mr. Lucas was in the Garden of Innocence at that time, and he is there yet. Continuing:-

"SIR ADAM BECK. Probably not, I cannot say.

MR McGARRY: That is what I wanted to know. I just say that as Provincial Treasurer I didn't hear anything about it in the Council.

SIR ADAM BECK: If Mr. McGarry wants me to assume full responsibility ?

MR. McGARRY: I don't want to say that. All I say is I didn't hear of it.

SIR ADAM BECK: Well, I take the whole responsibility if it is a violation of the Act."

I quoted you the other day where he said, of course, Mr. Clancy would know these things were being done for years, contrary to the Statutes.

Speaking of the revolt of the Government, when what was called the McGarry Bill was amended -- I took this from a very strong pro-Hydro pro-Beck paper at that time,

The Toronto Star of April 13th -- this is what is said in the Star about the McGarry Bill:

"The effect of the Bill would appear to place the entire control of the finances of the Commission in the hands of a Government appointee.

These clauses clearly express the dissatisfaction of the Government with the system employed by the Commission in the past, and determination to decide in the future just how the accounts of the Commission shall be handled in the future."

Would anyone have supposed, if this body had been a law abiding body, governed by what we regard as British Governmental principles, that it would have been necessary to announce that they, the Government, would decide just how the accounts were to be handled in the future ?

Q--What was the McGarry Act to which you refer ?

A--I am coming to that.

Q--You are referring to it often, I know part of what it contains ? A--I would take one point of the McGarry Act, if you desire me to.

Q--I would not interfere with the way you are going on.

COMMISSIONER HANEY: Before we leave the question of the money spent on the London & Port Stanley, was that money provided out of the funds of the Hydro-Electric Power Commission ?

A--In the speech which Sir Adam Beck delivered at Toronto on the 28th November, 1918, of which I obtained a verbatim report, he said that the money was taken from the surplus of the Municipalities.

Q--That means the Hydro-Electric funds ? A--The Hydro-Electric funds. Mr. Clancy had said that they were taken from the Province, and Sir Adam said that they were taken from the surplus of the Municipalities, apparently suggesting

that they were justified to do as they pleased with the money that belonged to the Municipalities.

COMMISSIONER HANNEY: I just wanted that point cleared up.

COMMISSIONER HARRIS: That might have been the surplus of the London Municipal Hydro ?

A--\$300,000 ?

Q--Yes? A--I don't think so. There are a great many "might have beens" in this thing, but I don't think that is one of them, Mr. Harris.

Q--You don't think they had a surplus of that amount at the time ? A--Not in London, not even on paper.

The McGarry Act, so-called, as you will see, made this provision: That in future the Government should appoint a Comptroller whose duty it should be to sign all cheques and -- this is very significant -- to be satisfied that they were proper cheques, and, in relation to that, and in view of what Mr. Clarkson said here the other day about the impossibility -- I don't think he used the word folly, but he meant folly -- of having a Comptroller, let me quote to you from the report in The Star of April the 18th.

COMMISSIONER HARRIS: Q--What year ?

A--1916, that is the time that I am speaking of, when the Government was in revolt:

"Where did the suggestion of a Comptroller come from, continued Mr. McGarry ? It came from the Hydro Commission itself."

It came from the Hydro itself and, if I am not mistaken, in the House itself Mr. Ferguson -- I may be wrong about this -- endorsed what Mr. McGarry had said. Here is clearly what happened: The Government was in revolt against Sir Adam Beck, and when the question of putting in a Comptroller was mooted what happened ? Kamerad -- that is what happened, and I shall prove to you, I think, with no intention of observing that law either with regard to the

general accounts of the Hydro-Electric Power Commission or with regard to Chippawa, as to which I shall submit to you some evidence in a little while.

I mentioned three Associations and when, if I might venture to say this, Mr. Chairman, you have Mr. Hannigan before you and he produces, as I have no doubt you will ask him to produce, all the Minutes of all the meetings of all the Associations of which he has been or is Secretary, I venture to suggest to you this that you examine very carefully those Minutes to see whether from early on, certainly from prior to the War, in every case when legislation was about to be introduced, or had been introduced, those Associations were not convened, at the public expense, municipal and otherwise, for the purpose of influencing legislation, in effect intimidating the Government.

I know what I am saying, I am very careful, and I think you will find that it happened in the case of this McGarry Bill, and I venture to suggest to you further that you call some witnesses who have been at those meetings, as representatives from their municipalities, and ascertain from them the character and the conduct of those meetings, meetings that have been represented to the public as being spontaneous expressions of considered municipal opinion. No Tammany Hall ever railroaded through resolutions with greater rapidity than resolutions have been railroaded through those Association meetings in this City while the Legislature is sitting, and for the purpose of frightening the Government and the Legislature, as I shall show.

As I say, it happened in connection with this McGarry Bill. You will discover that an attempt was made to railroad a resolution through, and one, I think it was Mr. Buchanan of Ingersoll, whom I don't know and never saw, but he was Mayor of Ingersoll, I think, at that time, objected that it was rather early to raise a serious objection

against a Bill, a copy of which they didn't have before them, but that didn't make any difference. Those Associations came up with tremendous deputations at that time, and addressed the Government, protesting against the McGarry Bill, against the tightening up, against the attempted -- I had better put it that way -- control of the Government over this creature of itself --

THE CHAIRMAN: Q--Is there a stenographic report of the proceedings that took place when those deputations interviewed the Government ?

A--I haven't any, Mr. Chairman. As I said, you can find out approximately what was said at meetings like that by using the newspaper reports.

Q--I think, sometimes, there was a reporter there to take it down for the use of the Government ?

A--I think may be so. I shall refer to a speech in the House which Sir William Hearst made, which would indicate that what you say is right.

I wonder if you will allow me to make a digression in regard to what did take place at that meeting with this deputation and its protest against the action of the Government?

I am quoting from The Mail of April the 13th.

Q--Still 1916 ? A--Still 1916. When I get away from 1916 I will let you know. The Mail says that Sir Adam Beck replied to W. H. Bennett, M.P., that is Mr. Bennett of Simcoe, he is now Senator Billy Bennett.

COMMISSIONER HARRIS: Simcoe County ?

A--Yes. Mr. Bennett had said, speaking at Ottawa, where Sir Adam had gone to try to prevent the granting of a charter to the C. N. R., with regard to certain of this Radial legislation, that Sir Adam Beck had told the people a subsidy was being given, and Sir Adam, in a characteristic

enslaught on Mr. Bennett, probably in this very room, I don't know, said this according to the Mail and this is just an illustration of the utter unreliability of Sir Adam Beck the man who put the "lie" in "reliability" -- in his statement about the matter, he declared he had never made any such statement, either in the Legislature or on the public platform.

The effect, of course, of a declaration on the public mind is obvious.

Mr. Chairman and gentlemen, if you will obtain from the custodians of it Exhibit 50, as presented to the Sutherland Radial Commission, you will find that it is a copy of the report which the Hydro-Electric Power Commission made to the Municipalities on the strength of which they voted on the question of a radial railway from Toronto to London in January, 1915, part of which railway is the Hamilton, Toronto & Port Credit, latterly sought to be tacked on to the Port Credit & St. Catharines, and in that report, Exhibit 50, you will see that in the estimate of the cost of the railway, and of the financing of the railway, there is a Dominion subsidy of \$6,400 a mile, totalling over \$800,000, and that was a subject of some discussion before that Commission. But here you have Sir Adam Beck in April, 1916, assuring the Government and the people of this Province that he never made any such statement about a Dominion subsidy. They put it in their report, it is in Exhibit 50 of the Sutherland Commission, and you will find it there, as I have said.

These Associations, though, made a demand upon the Government to reconstruct the Commission, a very extraordinary demand. It was, that one member of the Commission should be appointed by the Chief Justice of Ontario. How he was to be responsible to the Chief Justice of Ontario there was no suggestion. Another one was to be appointed by the Municipalities, and the third was to be appointed by the

Government -- and they mentioned the Government last.

You have it then that, according to Mr. McGarry, the demand for appointing a Comptroller came from the Hydro Commission itself.

There were other provisions in that Act which made it very clear that the Government was trying to recover its self respect, and trying to recover its control.

There is another evidence of that which, I am bound to say, I regard as of value. The Mail and Empire, a great organ of public opinion, and believed to be reflecting the view of the Government in large matters of public policy at the time these things were going on here, when the McGarry Bill was up, and when the tramp, tramp of the Beck legions was heard in these halls, had a couple of editorials upon the situation, and I am going to read two very short extracts from them, the first in regard to the claim, about which I shall submit some rather remarkable evidence presently, that this Hydro business which was being financed by the Government, and which was only in existence as a creature of the Government, belonged entirely to the Municipalities.

The first extract reads as follows:

"The Hydro belongs to the whole Province, and the Government of the whole Province will remain responsible for it."

The other extract reads:

"The advocates of the view that the Hydro-Electric Commission is a thing apart from the administration in Queen's Park would have two Governments for the Province. They would strip the existing Government of certain large and extremely important powers, and vest these in the Hydro-Electric Commission as a co-ordinate Government. That would give us two Premiers. Instead of letting the Commission further out of hand it will,

"we take it for granted, shorten its hold upon the Commission."

It was under circumstances like that that the legislation providing for commencing construction of the Chippawa Canal was launched, and as this Commission came into existence out of certain matters with regard to the Chippawa construction this background, this foundation is, I venture to submit, of extreme importance to the Commission.

A By-law was introduced by Mr. Lucas on the 18th April, 1916, and what Mr. Lucas said, and what Sir William Hearst, the Premier, said subsequently with regard to the purpose and scope of this legislation is worthy of very careful note, I submit, especially in view of this fact that Mr. Lucas was then not only a member of the Government, - he was Attorney-General -- but he was a member of the Hydro-Electric Power Commission, and he is reported in The Mail of April 19th, 1916, as having said:

"When the work was completed the whole development may then be transferred to the Municipalities, if it was deemed advisable at the time --"

indicating clearly that it was being undertaken as a Government work, and that it would remain open as to whether it should be transferred to the Municipalities, I take it, when they paid for it.

Q--Is that a statement in the Legislature ?

A--A statement in the Legislature, yes, in introducing his Bill. I shall have something to say about what Sir William Hearst said on this matter.

This is Mr. Lucas again :

"The investment would be about \$10,000,000 with an initial development of 100,000 horse power and an estimated development of 300,000 if the necessary supply of water could be secured,"

referring to the fact that there was only 6,000 odd second

fect still available under the International Treaty.

Continuing to quote from The Mail, Mr. Chairman, which is the nearest thing to Hansard we have when the Conservative Government is in power, Mr. Rowell said:

"The prospect that the Government might transfer the ownership to the municipalities at a later date might mean little sense. The Government might decide not to transfer it.

Mr. Ferguson said the proposal -- "

I think, perhaps, I was wrong just now in saying that I thought Mr. Ferguson had said something about the appointment of a Comptroller.

Q--It is well for you to verify these things ?

A--I am covering myself. I did not say that Mr. Ferguson said so and so. Mr. Ferguson said :

"The proposal as made by Mr. Lucas was recommended by the Chairman of the Commission in writing and signed by his own hand --"

and this is in quotation:

"Not only that, but Sir Adam Beck took the position that the only method by which the matter could properly be worked out was for the Government to undertake the development."

Q--Does he give the date of that communication ?

A--No, that is all there is in the Mail and Empire.

I was saying just now that I thought it was very desirable, in the interests of truth, to have some of these ex-Cabinet Ministers before you and really probe into these things.

THE CHAIRMAN: Perhaps Mr. Lucas could tell us now about the date of that communication to which reference is made in the Legislature.

HON. MR. LUCAS: I cannot recall it. I cannot tell you

the date. I would not attempt that without the files.

THE CHAIRMAN: Do you recollect the communication ?

HON. MR. LUCAS: I don't recollect that there was a letter.

THE CHAIRMAN: You don't recollect ?

HON. MR. LUCAS: As I understand it, he is saying there is a letter, and I have no recollection at the moment that there was any letter.

COMMISSIONER HARRIS: You have the date of those reports of The Mail and Empire ?

HON. MR. LUCAS: I have no doubt it is correct, but I have no personal recollection of it.

WITNESS: Might I digress for a moment. I had another matter which pertains to this period when the Government thought it was trying to get control of its own creature. The purchase of the Central Ontario System, the Seymour interests, came up about this time. In the Toronto Star of April 20th, 1916, - I just want to call attention to two matters in connection with those reports in connection with the purchase of this Central Ontario System for eight and a half million dollars -- it had this for a heading:

"Rushed through at the closing hour of the Session". and in the report of what took place in the House is this:

"In the House Mr. Rowell said: Did the engineers make any report as to the value of the property ?

MR. FERGUSON: I can't tell what the engineers report. The whole situation has been discussed with the Chairman of the Commission, and on one occasion the Chief Engineer was present.

MR. ROWELL: How was the amount arrived at ?

MR. FERGUSON: I didn't have the engineer's report. My discussions were entirely with the Chairman of the Commission."

In connection with that matter, Mr. Chairman, may I call your

to certain paragraphs in a report which Mr. Clarkson made to the Government under date of March 19th, 1920, in which he refers to the Central Ontario System, and, after saying that since 1916, in three years, the Province had advanced for the purpose of that System over \$2,000,000 -- that was the pretense on which the money was asked for, of which over \$1,200,000 has been used by the Hydro-Electric Power Commission for other purposes -- after giving those facts Mr. Clarkson alludes to the issue of Provincial debentures for \$225,000 for the purchase of certain timber limits in connection with the pulp mill at Campbellford. That is a matter you have had before you, but I am going to suggest to this Commission that you endeavour to ascertain, without question, whether those debentures for \$225,000 were authorized without the proposal to authorize them having been brought before the Cabinet.

THE CHAIRMAN: Q--Authorized by whom ?

A--Over the signature of the Lieutenant-Governor. I am asking the Commission that they inquire into that very persistently, and be very slow to accept as gospel any answer which appears to be contrary to what I say.

Q--That is, you suggest that they were signed by the Treasurer and, - I don't know who else signs debentures. Do you know, Mr. Lucas, the Treasurer ?

HON. MR. LUCAS: Debentures of which ?

THE CHAIRMAN: Issued by the Province.

HON. MR. LUCAS: You mean Provincial bonds ?

THE CHAIRMAN: Yes.

HON. MR. LUCAS: The Provincial Treasurer.

THE CHAIRMAN: Well, the bonds issued for that property were Government bonds.

HON. MR. LUCAS: I suppose they were.

THE CHAIRMAN: They would be signed then by the

Treasurer, just as other bonds are.

HON. MR. LUCAS: I suppose so.

THE CHAIRMAN: That is what I think.

Q--You mean they were signed by the Treasurer without having been authorized ?

WITNESS: I didn't say that. I didn't say the bonds were signed, I said whether the authority for issuing those debentures was obtained from the Cabinet -- I will put it this way, you can investigate this if you think fit, as to whether the authority for issuing those debentures was obtained from the Cabinet before the Order-in-Council was signed by the Lieut.-Governor.

Q--They were not bonds for the Hydro ? A--That may be.

Q--They were Ontario Government bonds ?

A--The point I am suggesting is, that you should ascertain whether those debentures of the Province of Ontario for \$225,000, for the purchase of a timber limit, were authorized to be issued by the Cabinet before an Order-in-Council was signed by the Lieut-Governor on the strength of which, of course, the whole proceeding would go on. I am suggesting it as a matter of inquiry for you, I am not pretending to give you the conclusive evidence.

Q--That no Order-in-Council authorizing those bonds had been signed before what ? A--Had been brought before the Cabinet and passed upon in the proper and regular manner.

Q--Before what ? A--Before an alleged Order-in-Council, or a document of some kind, was signed by the Lieut.-Governor. I am suggesting that you inquire into that.

Q--You are suggesting that the Governor in Council acted before the Cabinet acted ? A--He did, on the advice of his Prime Minister.

Q--Yes, but what did he do, I haven't got it clear in mind as to what your point is ? A--My point is, Mr. Chairman,

that you should investigate ruthlessly whether those debentures for \$225,000, alluded by Mr. Clarkson, were issued ^{to}.

Q--You say issued now, you did not say issued before ?

A--Were authorized and issued without the question of their authorization having come before the Cabinet in the proper legal manner.

Q--That is exactly what I said just now. I understood you said they were issued and signed by the Treasurer, who has to sign every debenture, before they had been authorized by Order-in-Council ? A--No, I did not say that.

COMMISSIONER HANEY: I think, Mr. Hawkes, what you imply is this, that no authority by the Government was given to purchase those limits before the Lieut-Governor in Council signed the Order.

THE CHAIRMAN: Mr. Hawkes spoke about the debentures, he did not say anything about the authorization to purchase the limits.

A-- I said in connection with the debentures, Mr. Chairman, I wasn't talking about the formal issuing of the debentures. That, surely, is a matter for inquiry.

THE CHAIRMAN: Q--I understood you to say that these debentures were issued before they had been duly authorized ?

A--No, I didn't state that, Mr. Chairman.

Q--Well, now, let us have it again ?

A--May I refer you to what I have said ?

Q--No, you cannot. A--I will try, if my command of the English language is sufficient, to express what I have in mind.

Q--You indicate that something was done before the Lieut.-Governor in Council signed the order authorizing it ? I understood you to say just now that the bonds were issued before the Lieut.-Governor had signed the authorization giving that authority ? A--No, I never said anything of the sort.

Q--What was wrong about the matter, what was irregular, what was wrongly done ? A--I am asking you to investigate whether it was irregularly done, because I do not make charges unless I have the evidence under my hat; I am asking you to investigate it.

Q--What is it we are to investigate, what are the features of it ? A--Whether the Cabinet had given the authority for an application to be made to the Lieut.-Governor to sign an Order-in-Council under which debentures were subsequently issued, is that clear ?

Q--Yes, that is, whether proper authority was given before the bonds were issued ? A--I am not talking about the issue of the bonds. Mr. Chairman, isn't it easily conceivable that if the Prime Minister went to the Lieut.-Governor and said, will you sign there, it is authority for the Provincial Treasurer to go ahead and issue debentures ?

Q--If it is signed, the Provincial Treasurer would proceed to issue the bonds. He wouldn't have the authority to sign the bonds before an Order-in-Council had been duly passed.

A--May I continue putting to you what I was trying to do: If the Prime Minister went to the Lieut.-Governor and induced him to sign an Order-in-Council which purported to give authority for the issuance of debentures without the matter having come before the Cabinet --

Q--That is it then, you say the Lieut.-Governor was induced to sign something before the Cabinet authorized it ?

A--No, sir, I do not say that, but I am asking you to investigate whether it was or not.

Q--Yes, whether he was or not ? A--Exactly. They might have fixed it up afterwards and the Provincial Treasurer could have issued debentures --

Q--What you want us to do is to find out if the proper authority was given by the Cabinet before the Lieut.-Governor was approached with an Order-in-Council.

A--Exactly.

COMMISSIONER HARRIS: Who was the Lieut.-Governor at the time ? A--Sir John Hendrie. Sir John Hendrie was a member of the Whitney Cabinet, and a Hydro Commissioner. An interview with Sir John Hendrie upon his relationship to Hydro matters -- partially upon that, it was also upon the local situation in Hamilton -- appeared, I understand, in the Toronto Star on the 27th of December, 1922, during the recent campaign.

I am not able to give you that definitely for the reason that though I have searched I find that the edition of the Star which is kept on file in that building does not happen to contain that interview, but you may take what I say to be absolutely accurate, and, I understand, the same interview appeared in both Hamilton papers of that date, I think it was the 27th December, in which Sir John Hendrie says that he did not leave the Hydro-Electric Power Commission simply as an incident.

THE CHAIRMAN: Well, I think we had better not deal with that interview. If it is in the paper we can see it ourselves. You had better find that out, because you have not got it before you. We can read it and find out just what Sir John Hendrie says. I think it would be better for us to do that than to take up now your recollection of what it contains.

A-- What it contains is pertinent to what I am stating here as to the revolt of the Government and dissatisfaction with what was going on under the Hydro-Electric Power Commission. It won't take half as much time to say what Sir John Hendrie said as it will to talk about it.

Q--That is what you are saying here now, in this interview?

A--Yes, and I am able to tell you it was an authorized interview. He said that he used to be a member of the

Hydro-Electric Power Commission, not simply when he became Lieut.-Governor, which he did just about the time of Sir James Whitney's death; he had resigned before, he had several times offered to resign, because he was dissatisfied with the methods of the Commission.

I hope you will look up that interview and have Sir John Hendrie before you, and really question him, get at the bottom of things of this character.

Now, may I come back to what was stated about Chippawa, and in connection with Chippawa nothing that I have read of, in ancient or modern history, is equal to the prevarication, and to the amount of misrepresentation, and what I can only call deliberate falsehoods that have been told to the people of this Province about estimates of cost, and the facts generally, and the whole thing has arisen out of, first unsuccessful revolt of the Government against Sir Adam Beck, and, secondly, the successful revolt of Sir Adam Beck against the revolt.

Perhaps as those are matters of money I had better finish what I had to say about the lawlessness of the Hydro Electric Power Commission on general principles, because I stated a week ago that this was a lawless body, continually ignoring the law.

One matter as to Mr. Clancy's charge of defiance of the law, and of presenting accounts in forms that were not in accordance with the Act, - I am coming to something that has to do with Mr. Clarkson's report, and I shall ask the attention of the Commission very closely to what I have to say. I am dealing, at the moment, with the question of the ignoring of the law upon accounting,

As to the way in which these accounts shall be presented on page 13 of Mr. Clarkson's first Special Report, prepared pursuant to provisions of Order-in-Council dated the

3rd of May, 1916, under the head of "Mandatory Provisions" is this:

"The Commission shall before the 15th day of February in each year make to the Provincial Treasurer an Annual Report for the information of the Lieut-Governor in Council and for the information of the Assembly, and such Report shall contain, among other things, clear and comprehensive statements disclosing and exhibiting --

(c) statement with respect to each system or works operated or controlled by the Commission showing the accumulated

(1, operating surplus or deficit (excluding charges for sinking fund payments and reserves for renewals) of,

(2) charges made for reserves of renewals against,

(3) charges made for sinking fund requirements to, each municipality comprised in such system and the total accumulated surplus or deficit of each such municipality on 31st October in each year and also the date when sinking fund payments were first made by it."

That is the mandatory provision with regard to each municipality.

Mr. Clarkson's report is a very remarkable document. I think it was Mr. Ross the other day who alluded to him as the Undertaker. Mr. Clarkson has, very largely, been an Assignee in Bankruptcy, and it seemed to me a very apt description of him by Mr. Ross, that he was a commercial undertaker, and the commercial undertaker, like other undertakers, always speaks in the quietest and most respectful tones in the presence of the corpse. I am serious about this, Mr. Chairman, and, after the deceased has come to his end, then the undertaker is more gentle than ever. However, you will find all these things in Mr. Clarkson's report.

because he takes a hold of this question in the mandatory provisions.

Q--What mandatory provisions ? A--That I have just quoted from under this heading "Mandatory Provisions". That is on page 13, and then you have to double the number of pages and you get to page 26, under the heading "Result of Operations:"

"In the accounts of the Commission and in its annual statements up to 31st October, 1917, the accumulate amounts collected for sinking fund purposes and for renewals were not shown separately, but appeared in one item as "Surpluses Applicable to Sinking Fund and Depreciation Reserve." In the Balance Sheet (Schedule 1) and in Schedules 12 to 19 annexed hereto the accounts have been divided, with the result that the following conditions would appear to have existed on 31st October, 1917."

Now, without reading in detail what follows, because this report is available to the Commission, the net result of what Mr. Clarkson set forth here is, if my arithmetic is right, that what had been formally reported on as surpluses applicable to sinking fund and depreciation reserve, - there were 68 municipal deficits and only 41 surpluses, that is, on the Niagara System, excluding Ottawa and the Central Ontario, there were only 56 surpluses and 101 deficits.

Now, there is a mandatory provision which says that each municipality shall have these facts shown, and the commercial undertaker, almost with bated breath mentions this but does not call attention to it. He does not point the finger and say "this is the kind of thing that has been going on".

Q--Does he say that is wrong ? A-"It is expected by the Commission that these municipalities will be able to increase their ~~loads~~ within the next year or two and thereby

"reduce or wipe out the deficits. Deficits have arisen with the majority of the municipalities early contracting by reason of their inability to take the amount of power contracted for, but in a few cases where the quantity of power contracted for has been taken deficits appear to be due to the fact that the cost of power has exceeded the amount estimated and mentioned in their contracts. In a few instances the rates for power have been increased with a view to overcoming the deficits but this had not been fully accomplished up to 31st October, 1917."

That is reading from the bottom of page 26 and top of page 27.

Q--Is that the report for 1916-17 ? A--That is the report for the entire period ending October 31st, 1917. It is the first Special Report.

Q--Does Mr. Clarkson specify or specifically point out that the mandatory provisions have not been complied with ?

A--Does he specifically point that out ?

Q--Yes. A--No, sir. In his capacity of undertaker he may have, but as for a public document, which is made such use of, he does not. He is the undertaker --

Q--But the subject wasn't dead.

HON. MR. LUCAS: Hewas the doctor curing all ills.

A--You ask me whether he specifically pointed out that the mandatory provisions had not been complied with.

THE CHAIRMAN: Q--Yes, does he say that ?

A--No, he does not say so.

Q--You are suggesting he should have submitted it with some directness ? A--I shall submit to you poignant reasons why he should have spoken out, with a possible reason as to why he did not speak out, because I am not through with Mr. Clarkson yet.

Now, I call your attention to this, for the purpose of

leading up to another matter which I think is important for your investigation, if I may say so. He says that these deficits, - and everyone knows that the public had been given the impression that all along the line there were wonderful surpluses -- appeared to be due to the fact that the cost of power has exceeded the amount estimated and mentioned in their contracts.

You had here the other day a deputation from Dunnville which, as far as I can make out from the reports, came to tell you that they had been very much "done", that the estimates were presented to them as to what their power would cost them and in practice they found they were very greatly exceeded.

I am going to suggest to the Commission that they make very diligent inquiry into what I am now about to bring to their attention. The first Chief Engineer of the Hydro-Electric Power Commission was Mr. P.W. Sohtman. What I have here, Mr. Chairman, is a copy of an article from the New York Electrical World of March 31st, 1917. It contains an account of the proceedings of what I understand to be the Judiciary Committee in the Maine Legislature. This Committee investigated the desirability of developing electric power in the State of Maine, as a State proposition, and it had before it considerable evidence as to the operation of Hydro-Electric works not only in the United States but in this Province.

Q--Was that report published by the State?

A--I don't know, Mr. Chairman, I don't think they gave a very full report of it. I endeavoured to obtain a copy of it, but I wasn't successful, you might be. I am going to call your attention to what was printed in this Electrical World, which is a Journal of high repute, I understand in that branch, and this is what it says:

"P. W. Sohtman, Consulting Engineer,
New York, Chief Engineer of the Ontario Commission for
1906 to 1912, said that he resigned from the Board's
employ because he could not agree with its financing
methods. Being Chief Engineer he said, my duty was to
make out estimates and figures down to the final point
on which the cost of power was to be fixed. I do not
believe, in a single instance, our figures were adopted
and presented to the municipalities, or to the party or
parties asking for the cost of power. The witness said
that in 90 to 95 per cent of the cases energy was sold
but far below the engineer's estimates."

I have suggested, Mr. Chairman, that you have before you
the late members of the Hydro-Electric Power Commission and,
if it is possible, if you cannot get Mr. Sohtman, you will
probably be told that he was put in an internment camp in
1917 in the United States, which is probably true, but he was
still Chief Engineer in Toronto from 1906 to 1912, and that
very diligent inquiry should be made as to whether, in the
Hydro-Electric Power Commission estimates were first brought
into the Commission and then cut down, and whether that is
not, partially at least, an explanation of the sort of complaint
that you have from Durnville, and the sort of complaint that
you have from Eugenia, a complaint which anybody can understand
the nature of when he sees what has happened to the price of
power in this Province.

Mr. Sohtman was the Chief Engineer of this Commission,
and that was his evidence in a foreign State, a matter which,
I submit, should be very very closely inquired into.

COMMISSIONER HANEY: Q--Was he Chief Engineer at the time
this statement was made? A--No, he ceased to be engineer.
He resigned for very very good cause.

COMMISSIONER HARRIS: We have never heard the cause.

A--You might inquire into that at the same time.

THE CHAIRMAN: Could you give evidence of that, Mr. Lucas

HON. MR. LUCAS: No.

THE CHAIRMAN: Who could ?

HON. MR. LUCAS: I should think the members of the Commission at that time.

WITNESS: There are only two alive, Sir Adam and Sir John Hendrie.

HON. MR. LUCAS: He has not been back here since.

WITNESS: Who, Sir John ?

HON. MR. LUCAS: Mr. Sohtman.

WITNESS: No. I was told he was put in an internment camp in 1917.

HON. MR. LUCAS: I know he went over the line and he didn't come back.

WITNESS: That is all true what I said. He was so good a German that they put him in an internment camp in the United States, so I am told, but even a German can tell the truth, if he has the truth to tell.

I am only stating to this Commission that a Journal of high standing in a neighboring republic reports that, and I am suggesting that this Commission should inquire into it very diligently.

THE CHAIRMAN: It is very likely we will hear something more from Mr. Sohtman.

COMMISSIONER HARRIS: You heard that whole case ?

A--No, I didn't, and I read very little of it.

Q--One of the Hydro officials who was here in connection with that practically made the statement that if they gave the municipalities the proper estimates on this thing they would never get anywhere ? A--I see.

Q--In other words, that they dare not tell them the truth.

A--Now, I am speaking of the lawlessness of this Commission with regard to handling money, and in view of the statements

spread broadcast that this report of Mr. Clarkson's was a vindication of the methods of the Hydro Commission --

THE CHAIRMAN: I don't know anything about those statements,

A--Don't you? Well, Mr. Chairman, will you let me read you something that is over Sir Adam Beck's signature, I think I have it here. That is Volume 2.

Q--Covering the years ending October 31st, 1917-18 ?

A--This is Volume 2, 12th Annual Report of the Hydro-Electric Power Commission of the Province of Ontario, for the year ended October 31st, 1919, page 9 in Roman numerals:

"The Commission submits its report with a feeling of satisfaction, knowing full well that its activities have been subjected to an enquiry of the most searching nature, the result of which is a vindication of the policy of public ownership and operation of electrical utilities, and of the Commission's methods of management and operation."

And while I have this Report in my hand, and in relation to this report of Mr. Clarkson's, may I call your attention to something else in it, speaking of Sir Adam Beck, on page 5, Roman numerals. I regard this as one of the most illuminating pieces of literature:

"In addition to that audit carried on under the direction of the auditor for the Province of Ontario, covering the period from the appointment of the Commission to the end of the fiscal period, October 31st, 1916, it was ordered and directed by an Order-in-Council dated May 3rd, 1916, that an independent audit and investigation of the Commission's records and books of account was to be made and for this purpose the accounting firm of Messrs. Clarkson, Gordon & Dilworth received the appointment under this Order in Council

"and shortly after its issuance commenced their duties --"

I call your special attention to this statement:

"Messrs. Clarkson, Gordon & Dilworth completed their investigations and audit February 16th, 1918, which, as before stated, covered the activities of the Commission from the date of its appointment, 1906, up to and including the last day of the fiscal year ending October 31st, 1916, and their report was duly presented to the Treasurer of Ontario."

Have you ever seen that report, Mr. Chairman? Has anybody ever seen that report? Listen -- "and their report, that is up to and including the last day of the fiscal year ending October 31st, 1916, was duly presented to the Treasurer of Ontario". That is a matter, I submit, for very careful investigation. How comes it, if there was the report presented to the Provincial Treasurer, up to October 31st, 1916, the only report which the public get is the report up to October, 1917, in which the events up to 1916 are included.

THE CHAIRMAN: Q--Are included? A--Yes. Let me go on reading from this document:

"Subsequent to this date and at the request of the Commission, the auditors were instructed to make in like manner an audit of the accounts for the year 1917, which was done and reported upon to the Provincial Treasurer under date of August 22nd, 1918."

And now, here is something that is very interesting:

"As appointees of the Commission the audit was continued by the same firm and completed under date of April 16th, 1919, for that period ending October 31st, 1918, since which time a continuous monthly audit has been carried on, and the latest report

"covers the period ending October 31st, 1919, and was submitted under date of April 3rd, 1920."

Note what it says:

"As appointees of the Commission the audit was continued by the same firm and completed under date of April 16th, 1919."

THE CHAIRMAN: Q--I thought reference had been previously made to their appointment by the Government by Order-in-Council? A--Yes, surely.

Q--Were they appointed by the Commission as well ?

A--I am only reading to you what it says here, "as appointees of the Commission --".

Q--Was it investigated to find out ? A--According to Sir Adam Beck, the audit was continued as appointees of the Commission.

Q--Have you ever made inquiry to find out if the Commission did pass a resolution appointing them ? A--Oh, no, I never asked the Commission if they passed any resolution. I am simply calling the attention of the Commission to what Sir Adam Beck says that this was done as appointees of the Commission, and I think it is a fact which is worthy of some attention.

Now, I have quoted what Sir Adam Beck says about this report vindicating the methods of operation of the Commission. Of course, everybody knows, and I could cite almost innumerable instances from the Press too, how, when this report was quoted, before it had been printed, before the public had a chance to see it in print, it was held as a wonderful vindication of everything that the Commission had done. I have shown you how, according to Mr. Clarkson's own account, this mandatory provision about showing the results of operation separately had been disregarded, and I am going to ask leave to call your attention to another

crooked thing in connection with it. Sir Adam Beck says that a report was presented to the Provincial Treasurer, the audit for which was concluded on February 16th, 1918, that that report was presented for the year ending October 31st, 1916. I call your attention to what I read from Mr. Clarkson's report dated August 22nd, 1918, what I read to you from page 26:

"In the accounts of the Commission and in its annual statements up to 31st October, 1917, the accumulated amounts collected for sinking fund purposes and for renewals were not shown separately."

Proper food for inquiry, I submit, sir, as to why, when Mr. Clarkson said that in his Special Report, when Sir Adam Beck presented a report for the period ending October 31st, 1916, you still find those accumulated amounts not shown separately right up to 1917, a year afterwards. It may not be a very important matter in itself, but it is indicative of something, I am afraid. It is, at least, indicative of the necessity for inquiring very closely of Mr. Clarkson of exactly what did happen, because I have never seen his report for the period ending 31st October, 1916, to postpone the presentation of a report for 1916, or the publication of a report for 1916 until 1918.

I shall have something else to say in connection with that a little later on, but in one other particular I desire to call your attention to something that is in this report.

Mr. Clancy complained that some money was being expended by the Hydro that the Province had provided for, the money being provided by the Legislature on estimates presented to it, representations as to the amount of money that was needed, and what it was needed for. Mr. Clarkson, in his report, apparently takes no notice of the existence of Mr. Clancy. I am not saying that he should, but Mr. Clancy

had made attacks upon the methods of the Hydro-Electric Power Commission, and it is not surprising that when Mr. Clarkson did not say definitely, well, now, I find certain things that Mr. Clancy said are so, that the Hydro vouchers did not say so,- that was Mr. Clancy's complaint.

Here is Mr. Clarkson's first report on page 28, under the head of "Niagara Power Development Works".

He says:

"The cost of the construction and maintenance of such works to be defrayed out of such moneys as may from time to time be appropriated by the Legislature and paid over by the Legislature for that purpose.

Up to 31st October, 1917, the Province had advanced \$1,200,000 to the Commission for the construction of the development works, as against which the Commission had expended \$2,376,789.50, the amount by which expenditures exceeded advances having been furnished out of the general funds of the Commission."

That is to say, that whether the expenditure was wise or not, they spent just as much as they got from the Legislature.

THE CHAIRMAN: Q--Where did they get the money ?

A--Oh, I don't know.

COMMISSIONER HARRIS: Out of the general funds.

A--Mr. Clarkson says out of the general funds.

COMMISSIONER HARRIS: Q--What was the amount authorized by the Government there ? A--Mr. Clarkson says:

"Up to October 31st, 1917, the Province had advanced \$1,200,000 to the Commission."

Q--And expenditures ? A--\$2,376,789.50, of which he gives the summary here.

THE CHAIRMAN: Q--Does Mr. Clarkson say anything further about it there ? A--He says:

"Legislation passed in 1917 provides that the cost to Municipal Corporations --" and so forth, do you want all that ?

THE CHAIRMAN: Oh, no.

A--It isn't very illuminating as far as throwing any new light on the situation is concerned. But here you find Mr. Clarkson under date of 1918 submitting a report which covers the period ending October 31st, 1917, that is the vital matter here, I submit, alluding to the general funds of the Commission.

In the ordinary every day English language, when I read this report of Mr. Clarkson's I became very much fascinated by the allusion to "General Funds." I wondered what the general funds were. So far as my knowledge of what happened here the other day, and what Mr. Clarkson told this Commission, up to the period which this report covers -- not the period when it was written -- there were no general funds of the Commission. I turned over the Schedules in this report, and on page 68 I found this among the Liabilities of the Hydro-Electric Power Commission of Ontario: "Central Ontario System due thereto \$583,131.48". Now I knew that that amount which had been obtained from the Legislature was obtained on representations, I shall say, under false pretense.

THE CHAIRMAN: Perhaps it would be well not to characterize that, we will do that, you let us have the statement of fact, Mr. Hawkes.

A--The statement of fact is that it is a false pretence. I am going to show that it was obtained from the Legislature on the representation that it was required for the Central Ontario System, in the year for which it was voted, that \$583,131.48 had been used for some other purpose later on. One discovers that this amount of \$583,131.48 had, according to Mr. Clarkson's report of March 1920, increased

to over \$1,200,000.

THE CHAIRMAN: Perhaps I should say that we have covered, very fully, that matter of Central Ontario, Mr. Hawkes?

A--Including this aspect of it?

Q--Yes, all of it?

A--I wonder if you have covered the matter that I am laying the foundation of. What I was going to say is that one finding this report, finding that in it, and taking that as a sample, money voted for one purpose and used for another, had a recollection and turned to what he found on page fourteen of this report of Mr. Clarkson's, and under the heading "General Provision", page fourteen, is that section about the general funds?

I am going to ask the Commission, even at the risk of repetition, to be allowed to read it.

THE CHAIRMAN: Mr. Clarkson has told me himself that even if there is a general fund moneys cannot be used for any other purpose than that for which they are appropriated?

A--Well, let us see. This is a very very crucial matter, as it seems to me, and I shall ask the Commission to be allowed to say what I have prepared upon it, and I am going to ask to be allowed to read it:

" All special funds and the income and revenue thereof and all moneys and revenues which are now in or shall come into the hands of the Commission, whether as agent, trustee, owner or otherwise, shall form one fund to be called 'General Fund' and the Commission shall have power from time to time to make any and all expenditures out of the said fund for the purposes and objects of the Commission without regard to the special trusts or purposes under which the same or any part thereof may come to its hands; and the

Commission shall account for and from time to time pay out of the said funds all moneys for which it shall be so accountable."

THE CHAIRMAN: Q--That is section six?

A--Six (b) I think, Mr. Chairman. How is it that in that - I am going to characterise it "infamous" - provision, there is nothing like it in any British legislation that anyone can put his hands on, there isn't a syllable in it which says that the Commission must expend the moneys for the purpose for which it was voted.

Mr. Clarkson made an astonishing confession here the other day, to me at least, when he said that he sat in at the drafting of that provision. Putting it to any business man, anybody who understands the English language and the Ten Commandments, what does that carry? We had the proof of it here the other day. The former Attorney General of this Province defines this thing as the justification for what Mr. Clarkson himself calls an unauthorized expenditure. There isn't a word in that provision about the Commission having to spend the money for the purpose for which it obtained it.

Q--That is an Act of the legislature?

A--Assuredly.

Q--Which, of course, was not controlled by anybody but the legislature itself?

A--Mr. Chairman, that is true. It is also true that Mr. Clarkson here the other day assumed responsibility for that clause, as one of the fathers of it, if my memory is right, the shorthand notes will tell.

Q--I think he told us that he had sat in at the drafting of it, but his interpretation of it did not go anything like as far as Mr. Lucas's did. I don't know if there is, or has been, any decision of the Courts on it. It is a

pretty wide section.

COMMISSIONER HANEY: This is in the Hydro Act, it does not apply to radials, or, it does not apply to Central Ontario?

A--Well, but here you have a former Commissioner, a former Attorney General, a present Solicitor of the Hydro Electric Power Commission, seriously putting up to you that that does apply to the Radials, and, Mr. Chairman and Gentlemen, do you wonder that within a very short time of that, I venture to say to this Commission, go to the legislature and point out the way the legislature has been induced to make a travesty of itself, and have this sort of thing ended, but when you find that, and something else, you will find that you are up against, it seems to me, a very very serious question in the ethics of auditing, as to which one would like some information from the Institute of Chartered Accountants in the Province of Ontario?

Q--In what way? A--I will not tell you. I said just now that the ordinary citizen, in reading over those schedules -

Q--You are not an ordinary citizen?

COMMISSIONER HARRIS: An ordinary citizen does not read them? A--Well, I read them in the way the ordinary citizen does when he does read them, and I found this diversion of \$583,131.48 in Central Ontario. That has happened before October 31st, 1917, and then I look back to this astonishing thing here and I say, well, there is the authority for it, and then, later on, I learn something which was mentioned in evidence before the Sutherland Radial Commission, by Mr. Weaver, ex-mayor of Hespeler, - there is an Auditor's Report for the period ending October 31st, 1917, and he puts in it a provision which

the ordinary citizen, when he does read it, reading it in the sense that Mr. Lucas reads it to-day, applies it to these schedules at the end, and the truth is that Mr. Clarkson, who has lived, and moved, and had his being in an atmosphere of financial sanctity ever since he was grown up, puts that in this report for the period ending October 31st, 1917, and that was not passed until April, 1918.

How can these things be? What is the value to be attached to the claim that this report is a vindication of the methods of the Ontario Hydro Electric Power Commission? Surely it was Mr. Clarkson's duty, if he put this in here, to say that this provision did not apply to these schedules in his report. That is the most astonishing thing that I have ever heard of in connection with the auditing of public accounts, and it makes it much more pertinent to ask what happened, how did it happen, that this report, this completed report which was alluded to as having been presented to the Provincial Treasurer for the period ending October 31st, 1916, does not appear to be available, breaking the law.

Mr. Clarkson has told you that, year after year, he has called attention to unauthorized expenditures, but the fact remains that no notice has been taken of them. How can you expect a law-breaker such as this Commission has been, and is to this day, to take any notice of an auditor who puts in a report for 1917 that was not passed until 1918. Why, the virtue has gone out of him, of course it has gone out of him. And see what happens afterwards.

I have shown that more money was spent than was voted. I have not got to represent to a Commission like this, surely, that it is of the very essence of financial probity

in public affairs that money shall not be obtained from a legislature, or Parliament, except for the purpose for which it is honestly intended to be used, and even if it is proved that money has been obtained by representations which had no foundation in fact, what is to be said as to the extent to which the people who do that are to be given any measure of public confidence?

I want to call the attention of the Commission to some of the things that have been done in that manner, as reported by Mr. Clarkson.

In his second report, for the year 1918, which Sir Adam Beck says he makes as an appointee of the Hydro Electric Power Commission, there are one or two things I wish to call your attention to, as indicating the habitual, incurable lawlessness of the Hydro Electric Power Commission in regard to small matters as well as great.

In the first Clarkson report, from which I have been quoting, he points out that, according to the law - this is on page twenty-two - the salaries and other remuneration of the Chief Engineer, Accountant and Secretary so appointed, shall be fixed by the Commission, subject to the ratification of the Lieutenant Governor in Council. The salaries being paid to such officers have not as yet been submitted to the Lieutenant Governor in Council for ratification. That is written then in 1918, covering the period from 1906 to 1917.

In his 1918 report, on page twenty, he has a similar paragraph, winding up:

" The salaries being paid to such officers by the Commission have not yet been submitted to the Lieutenant Governor in Council."

And in his report for 1919, made as an appointee of the Commission, according to Sir Adam Beck, at page twenty-three, he has a similar paragraph, winding up:

" The salaries of such officers have not yet been submitted to the Lieutenant Governor in Council for ratification."

Just an indication of the way in which the Hydro Electric Power Commission has ^{been} conducted, or misconducted, and pays attention neither to governments nor legislature, nor to the auditor which it has appointed.

In the report for 1918 there is some account of what moneys were voted by the legislature for specific purposes, and how they were used, but as the same sort of thing is given in the report for 1919, I shall ask your indulgence while I call your attention to something in it, and the gem of all editorial literature is in this report.

Here is an amazing story to be told in connection with a British and Canadian legislature, and a body which is supposed to be responsible to the legislature.

Page sixteen:

" Appropriations made by the legislature during the year for the purposes of the Commission, but excluding those for the Chippawa works and Central Ontario system, were as follows:-

Niagara System extensions	\$1,000,000.00"
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The only other one I quote will be Muskoka System Extensions \$200,000.00. The total is \$4,771,500.00, including \$195,500.00 expenditures on account of the Province.

It appears that there was voted for the Central Ontario system \$1,175,000.00, so that that brings up the total voted for systems, and including miscellaneous, and

expenditures on account of the Province, \$5,946,500.00.

Then the amounts expended on the systems are given, and then comes this:

" During the fiscal year ending October 31st, 1919, the Commission made requisition upon and obtained from the Province the whole of the moneys appropriated to cover the estimates put in for that period, and after expenditure of portions thereof to the specific purposes for which they were voted, their remained in its hands:

Re Niagara System

Of \$1,000,000 voted for the use of the Niagara System, the Commission employed \$522,915 for such purposes and drew in addition \$ 477,085.00

Re Muskoka System

Of \$200,000 voted for the use of the Muskoka System the Commission employed \$4,863 for such purposes and drew in addition 195,137.00

Re Port Arthur (Thunder Bay) System

Of \$2,500,000 voted for the use of this System the Commission employed \$810,795 for such purposes and drew in addition 1,689,205.00

Re Central Ontario and Nipissing System

Of \$1,175,000 voted for the use of this System the Commission employed \$463,390 for such purposes and drew in addition 701,610.00

A total of \$3,063,037.00"

The most of this money was spent over in Niagara on the construction of the third^{pipe}/line.

THE CHAIRMAN: We have gone into that?

A--But this is what I want to call your attention to:

" It is apparent that the members of the Commission- of themselves - were not fully seized of the extents by which appropriations were being exceeded or moneys being expended for purposes other than those for which appropriations had been asked. With the matter drawn to their attention steps have been taken to keep expenditures within appropriations-----", and so forth.

Mr. Chairman, at that time there were only two members of the Commission, one was Sir Adam Beck, and the other was the Attorney General. How far have your inquiries gone into the question as to how \$3,000,000.00 voted for purposes for which expenditures were not made, became diverted to other purposes, and with which the members of the Commission - of themselves - were not fully seized? Money does not fall into the Hydro Electric Power Commission's coffers like manna from Heaven. Mr. Lucas was the only other member of the Commission at that time, and he was not fully seized of the extents, because he had in mind the thing that he disclosed here the other day, that it was perfectly proper for anyone who could get away with it to take money that was voted for one purpose and spend it on something else.

Here is \$200,000.00 obtained from the legislature for Muskoka, and \$4,863.00 spent on Muskoka in that year. Was there ever any intention to spend \$200,000.00 on extensions in Muskoka in that year? Look up the reports and you will find that from 1919 to 1921 the capital value of the entire Muskoka system has increased by about \$8,000.00. It was then \$203,000.00 and something, and it is \$212,000.00 and something now. That is the kind of thing you will find in the Clarkson report, spoken of in a very mild sort of way.

COMMISSIONER J.A. ROSS: I think he pointed out,

Mr. Hawkes, as far as that latter part you have covered is concerned, that the functions of an auditor have been carried out. He pointed out the facts pretty clearly. It was a question of diversion, and he specifically states how the diversion was made. How much further would you go than that?

A--The point is, Mr. Ross, that, although in the manner of the undertaker he did point out various things of that sort, a confidence trick was played upon the public with his report, because it was represented as being a complete vindication of all the methods of the Hydro.

THE CHAIRMAN: Of course, the report speaks for itself.

A--Well, I am simply calling the attention of the Commission to how the other people represented the report.

Now, if I may, I want to go back to the trouble about Chippewa.

THE CHAIRMAN: I think we shall have a special hearing about Chippewa a little later on.

In the meantime, I think we would like to hear from Mr. Clarkson, as to what you have said about him, then we can deal with it all together?

A--Well, if you wish to take it up that way, Mr. Chairman, but personally I would prefer to continue.

THE CHAIRMAN: We might not be sitting this afternoon.

WITNESS: I would prefer to get through with what seems to be to be desirable to call to the attention of the Commission, and then if those other matters are to be probed all well and good.

THE CHAIRMAN: Yes, but you have been dealing now for some time with Mr. Clarkson, and I think it would be well now to hear what Mr. Clarkson has to say as to that, and then, Mr. Hawkes, you can go on.

COMMISSIONER HARRIS: When will you be having hearings on Chippewa? Would it not be better to have you give your evidence at that time on Chippewa?

WITNESS: Well, it seems to me that, in view of what I have said, here you have a body which sets itself up as a supporter of the law, but which in reality is a body continually breaking the law, a body which obtains money by a false pretense. Seeing that charge has been made it would be better to let me put the facts before the Commission, and then you can see, if you have a public hearing on Chippewa, as to whether what I say is right.

COMMISSIONER HARRIS: You can finish in the morning if we give you all morning?

WITNESS: I shall very much hope to. I was hoping to finish this morning, but facts are stubborn things.

COMMISSIONER HARRIS: Well, can we arrange that then, that we meet to-morrow morning?

THE CHAIRMAN: Mr. Hawkes, we will let you know when we can take it up. We are not quite certain that we can meet here to-morrow morning.

We will just hear Mr. Clarkson, if you will give him the seat.

G.T. CLARKSON called:

THE CHAIRMAN: You have heard what has been said this morning in reference to your sins and omissions?

A--Yes. In the first place, as to being the appointee of the Hydro Electric Power Commission, I have never been the appointee of the Hydro Commission, nor appointed by the Commission. I am appointed to the Commission through the Government, my reports have been to the Government.

Q--That is what we have always understood?

A--When we first took up the reports there was a considerable amount of contention on that score. When we first made out our report Sir Adam Beck thought the report should be rendered to him. I took the attitude that we were appointed by the Government, and should, and would render our report to the Government; although the Act isn't clear on the point, still, nevertheless, we took that attitude.

When the Commission purchased the Ontario Power Company, as the owner of the entire capital stock, they thought the report, in respect to that company, which was a separate report I made two years ago, should be rendered to the company. I took the attitude that it was a part of the Hydro Electric System, and that the audit formed part of the audit of the Hydro Electric Power Commission accounts, and that it should go to the Government. I insisted upon it, discussed it with the Government, and it was rendered that way, but I have had no appointment from the Commission in connection with this. I am not responsible to the Commission, I am responsible to the Government, and the reports have been rendered to it.

Q--How do you account for that statement of Sir Adam Beck's? A--I never saw or heard of it before, Mr.

Gregory. I haven't seen these reports, I know nothing

about them, that is all I can say.

As to Mr. Clancy, I don't want to say very much about that. Mr. Guilfoyle can give you the exact details with respect to it. He took the view that the Hydro expenditures should be passed by the Provincial Auditor, in dealing with his accounts. However, I think Mr. Guilfoyle had better go into the details.

MR. GUILFOYLE: Yes. There is a lot in Mr. Clancy's report not referred to by Mr. Hawkes. I have thought of referring to the clause to which he referred, where Mr. Clancy said, whereas \$13,169,000.00 was advanced by the Province to the Commission, they had, in the same period, expended \$17,359,000.00. As an appendix to his report he shows approximately the difference of \$4,000,000.00 representing maintenance and operation, power purchased at that time from the Ontario Power Company, construction chargeable to municipalities and receivable therefrom, a total of \$4,473,000.00.

Those expenditures were made out of revenue from municipalities for power sold to them, or construction work done for them. It didn't come out of the Provincial advances, and Mr. Clancy, apparently, took the stand that all moneys should have come in to consolidated revenue account from all municipalities, and, expended out of the consolidated revenue fund of the Province, for operation, maintenance and other expenditures to which I have referred, of the Commission.

That would be treating it as a department of the Government, with all revenue coming in to the consolidated fund, and all expenditure made out of the consolidated fund. As such, it was absolutely unworkable. The Commission is not a department of the Government. It is a Government-appointed Commission, but it is an

industrial, commercial Commission, one operating for the production and sale of power, with accounts receivable and accounts payable, revenue and expenditure. That, I think, Mr. Chairman, is the reason why Mr. Clancy refers to the \$4,000,000.00 as unauthorized.

In another place, Mr. Hawkes refers to Mr. Clancy's report of the accounts undergoing and assuming two distinct forms, the first form being merely a record of all the actual expenditures in one general account without, in any way, disclosing or indicating the particular purpose to which they were devoted.

I do not know just what Mr. Clancy meant by general account. The facts are that there are, at the outset, two general accounts, if you like to call them such, first, the provincial account, into which the province is credited with all its finances advanced on capital account. The second is the bank account; under the authority of the statute, the commission is permitted to carry on one bank account to expedite operations, and to lessen the expenses of the detailed accounting, and the like.

THE CHAIRMAN: You are referring to this section 6(b)?

A--As to the banking clause, yes. I said I really do not know what general account Mr. Clancy is referring to. I am stating what the Commission had. They had a general bank account out of which it expended the funds for the various purposes of the Commission. From the vouchers on which such expenditures were made, a very careful, at all times, analysis of the expenditures has been made on their accounts, as to whether they were on capital construction, or whether they were on operation and maintenance, as to whether they included Niagara System, or the Eugenia System, or any other System, the analyses were there in very complete form. I believe Mr. Clancy refers to it

too in the accounts in the investigation before the Public Accounts Committee. He called for the vouchers and cheques only of the Commission and summarized them to get at the audit for his own purpose, and in his own way. Mr. Pierdon refers to this --

THE CHAIRMAN: What is that you are reading from, a report ?

MR. GUILFOYLE: Extracts from the investigations before the Public Accounts Committee.

THE CHAIRMAN: Have you got that report, Mr. Pierdon ?

MR. PIERDON: I do not think it is quite complete, Mr. Chairman, but there is a copy here of all that we have on the Public Accounts here.

THE CHAIRMAN: Who has a complete Report of the hearing?

MR. PIERDON: I cannot say. Col. McInnes was asking me if it is complete, but I do not know whether it is complete or not.

THE CHAIRMAN: What you have there is a summary, or extracts taken out, or is it complete as far as it goes ?

MR. PIERDON: It is complete as far as it goes.
(Mr. Guilfoyle reads from report in question).

MR. GUILFOYLE: I mention that, Mr. Chairman, to show that he worked from the expenditure only, from the cheques and vouchers of the Commission as furnished him.

MR. HAWKES: As furnished to him ?

MR. GUILFOYLE: As furnished to him, yes. Reference has been made, Mr. Chairman, to the general account. All I can say is that they were very careful in this, that is, as between construction and operation, and as between systems.

COMMISSIONER HANEY: Mr. Claxcy's position, as I understand it, was this: He did not question the expenditure of \$4,000,000, except it was not an authorized expenditure.

MR. CLARKSON: I understood Mr. Hawkes to reiterate very

many times about this unauthorized expenditure of \$4,000,000.

MR. HAWKES: I never mentioned it.

THE CHAIRMAN: Was this money properly applicable for the purpose for which it was spent ?

A--It was applicable for operating, they could not go on unless they had spent it for that purpose.

Q--Were those capital expenditures that were made ?

A--The \$13,000,000 that they got from the Government, the other \$4,000,000 was operating.

COMMISSIONER HANEY: Q--Did the Act enable them to devote the money in that way to go on with their operations, without the authority of the Government ?

A--Well, it had to. The Commission were allowed to carry on business, Mr. Haney.

Q--Well, did the Act specially provide for that, that they could take this money, in any account. My recollection is that all the money which was arranged for the operation was voted, take the Intercolonial, for instance?

A--Voted expenditures ?

Q--I think so. A--For operating ?

Q--Yes ? A--Well, there isn't anything specific here, but you will understand the general terms of the Act allow them to carry on the business.

The next thing is this question about the 1916 Report. I will tell you just exactly what happened.

We were appointed in May, 1916. It took us a very considerable time to get through the accounts, covering, as they did, about nine or ten years, eight or nine years, something like that, and we came down to the end of the year 1916. I reported to the Government, or to Mr. McGarry, that I had a draft of a report, and that if I put in that report it would be nothing but a series of criticisms of the overstepping of authorities in one direction or another.

I reported that in very very many cases, where those authorities had been overstepped, it seemed to me that they had been overstepped in the interest of carrying this on in a commercial and practical way.

I asked whether the Government desired to have the Report put in, in that form, or whether it thought it would be preferable to hold the Report over and have amendments made to the Act, so as to bring it more into line with a commercial operation, and then give effect to that legislation in the Report of October, 1917.

That was discussed fully, and that was the decision arrived at. I was the auditor appointed by the Government. Accordingly, the 1916 report was merely in draft form, it was not put in, but a number of amendments, which Mr. Hawkes characterizes as the McGarry Act, were drawn up in 1918.

MR. HAWKES: Excuse me, I did not call them the McGarry Act.

A--Anyway, what happened was this: There were a number of points to be covered, you will find them in the legislation now of 1918. These mandatory provisions, which Mr. Hawkes quotes, and which were set out in my Report of 1917, I drew a great many of them, with the intention that the accounts of the Commission would be put upon a basis which would make them clear, and absolutely in line with the intention of the Hydro Act. That was done when the Report of 1917 was put in. It was modelled and carried out along the lines it was put in in August 1918, and it was carried out also along the lines of that legislation which went through in April, 1918. In other words, we moulded the accounts to the shape they ought to take.

THE CHAIRMAN: Mr. Clarkson, I don't quite understand you, you say you moulded the accounts?

COMMISSIONER HANEY: You anticipated legislation ?

MR. CLARKSON: I have a very definite idea in my mind as to the way accounts should be modelled and should be carried down to display the actual progress of the Commission. I put the accounts into that shape and then modelled the legislation to follow it.

MR. HAWKES: Let me ask this, Mr. Clarkson, whether the accounts, as represented, or rather as presented by the Commission before this Report, did not represent --

MR. CLARKSON: They were in this form, Mr. Hawkes: For instance, you reported yourself that there were surpluses or deficits shown --

MR. HAWKES: The Hydro is one of those concerns in which a reserve for renewals, and deficits and surpluses, are the same thing.

MR. CLARKSON: No, that is not so. We, however, modelled the accounts. We took those reserves, or surpluses or deficits, and we charged, in respect of every municipality, its proper proportion of the cost of power, and the interest, and renewals and sinking funds, and in that report of ours you will see those schedules at the end here carried out exactly on that footing. So that, in presenting that account to October 31st, it was completely modelled on the legislation which went through in April, 1918, which was much more extensive and much more definite instead of dealing in a general way. As the Act at that time was constituted it wasn't specific, but we extended it and worked it into shape. Now, that is the position there, and that is the position with regard to that 1916 Report which was not reported till 1918, because it was thought desirable to bring it into line with that legislation.

THE CHAIRMAN: With reference to the older accounts, just as you found them, would you change them so as to have

then brought into line with the legislation passed, or would that be a matter of arrangement? A--Yes.

THE CHAIRMAN: Q -You say you dealt with reserves. Now, was there any reserve standing to the credit of the individual municipality ?

A--Yes, but it was in the form of a surplus or a deficit. That was supposed to cover sinking fund and renewal charges, and other things like that, that is the way it stood at that time.

COMMISSIONER R. A. ROSS: It was merely a matter of allocation ?

A--Yes, it was merely a matter of allocation, but I did not consider that the account of the Hydro-Electric Power Commission submitted in any other form would have been adequate, you see, and one particular thing that comes to my mind is this question of "general funds". You must remember that the Commission was not only receiving moneys from the Government for expenditures, for capital expenditures, but it was also receiving money from revenue. It would be absolutely impossible for anybody to allocate those different amounts, unless you kept a separate account for operating and a separate account for expenditures.

THE CHAIRMAN: I suppose it can be shown though how that was made up ?

A--Absolutely, their accounts are in good shape.

Now, as to this:

"It is apparent that the members of the Commission -- of themselves -- were not fully seized of the expense by which appropriations were being exceeded or moneys being expended for purposes other than those for which appropriations had been asked. With the matter drawn to their attention steps have been taken to keep expenditures within appropriations."

Q--How do you know that to be a fact ?

A--Because I asked them. I took the matter up personally with the Chairman of the Commission, and I told him he was getting appropriations and over-expending, in some cases, and underestimating in others. When I had this conversation with the Chairman I said : "You do those things and get criticized fiercely for doing them", and it became apparent that they did not know fully just what was being done.

Q--Well, the Chairman knew what was being done ?

A--He knew, to a certain extent, he must have known.

Q--Who would give the directions, if not the Chairman ?

A--What for, expenditures ?

Q--For taking money from certain funds. Would Mr. Pierdon, for instance, without reference to the Chairman ?

A--No, no, what I am saying is they must have known, and they ultimately did know, to a very large extent. For instance, in connection with the third pipe line, no one could have helped knowing that sort of thing, and we took objection to it.

Q--Sir Adam told us the other day that he does ^{not} know if that ever came before the Board at all ?

A--I don't know about the Board. I know I discussed the thing very fully with Sir Adam Beck.

Q--Did you find out that Mr. Lucas didn't know anything about it ? A--I cannot remember that.

Q--Did you find out that Col. Carmichael didn't know anything about it ?

COMMISSIONER HARRIS: He wasn't there then.

THE CHAIRMAN: That was later on, they didn't do it later on.

A--Starting here, they got the thing down to a basis where they would absolutely keep within their appropriations.

Q--Would Mr. Pierdon issue a cheque drawing money out of the

Central Ontario fund and put it into some other fund without instructions from the Chairman ?

A--He would go into the common Bank account, for this reason: They buy a lot of stuff, we will say, some for Niagara, some for Central Ontario, and some for Chippawa, and it has got to be carried along somewhat in that way. Now, as I said to you the other day, it evidently did not occur so much from the expenditure of the money as incurring the debt. For instance, you go along in Chippawa, and you have an appropriation of \$5,000,000 for that work, and you incur debt beyond the \$5,000,000, well, that has got to be paid.

Q--But it must not be paid without authority. Although you may incur a debt that does not make it proper for you to use money which was given you for other purposes, and which you hold as a sort of trust ?

A--No, I have always taken that attitude, absolutely, that they cannot spend money except where it has been appropriated for it.

Q--I understand that your interpretation of section 6b is that it does not give them the power to use appropriations for other purposes than those for which they are voted.

A--I discussed that matter with Mr. George H. Kilmer. I was given authority by the Government to discuss those matters with Mr. Kilmer. I told him we wanted a clause along those lines, that would allow the money to go into the commercial bank account, as it were, because it has got to carry this business along, but would not allow money to be expended for any other purpose than that for which it was appropriated. Mr. Kilmer drew that clause, and told me it was in line with the Audit Act. Now, even with all that has been said about it, it means just exactly what I said, and nothing more.

Q--Have you taken the opinion of any other Counsel besides Mr. Kilmer ? A--No, sir.

Q--Has Hydro done so ? A--I don't know.

Q--I think that conclusion might be drawn from it beyond those that you have drawn ? A--Well, if there is any possibility.

MR. HAWKES: Mr. Kilmer, is he employed by the Hydro ?

MR. CLARKSON: He has been off and on. I did discuss those matters with him. In connection with the auditing of this account, matters of legal interpretation came up very very frequently, and I was given permission to discuss those matters with him, and I did so.

THE CHAIRMAN: I should like to have a written opinion of a first rate Counsel on that.

A--Well, that is his emphatic opinion, Mr. Gregory, now.

Q--You see, Mr. Lucas, a legal adviser of the Commission, says that it has a far wider interpretation than you put on it ? A--If it has, I haven't given effect to that interpretation.

Q--Oh, no, but you have seen that ? A--If there is any question about it amend that section.

MR. PIERDON: Is there any question now, Mr. Chairman, as to the Commission using moneys from other funds ? Ever since this section has been put in we have been keeping within the law as it now stands.

THE CHAIRMAN: That is Section 6b, Mr. Pierdon ?

A--Yes, sir.

Q--What was the time ?

MR. PIERDON: Assented to June, 1920.

THE CHAIRMAN: The Government now, by Order in Council, has the right to give you authority ?

MR. PIERDON: Yes.

COMMISSIONER HARRIS: This is Sir Adam Beck's report:

"It was ordered and directed by an Order-in-Council dated May 3rd, 1916, that an independent audit and investigation of the Commission's records and books of account was to be made and for this purpose the accounting firm of Messrs. Clarkson, Gordon & Dilworth received the appointment under this Order-in-Council and shortly after its issuance commenced their duties. Messrs. Clarkson, Gordon & Dilworth completed their investigations and audit February 16th, 1918, which, as before stated, covered the activities of the Commission from the date of its appointment, 1906, up to and including the last day of the fiscal year, ending October 31st, 1916, and their report was duly presented to the Treasurer of Ontario."

MR. CLARKSON: I never rendered any Report in 1916.

I drafted out a Report, as I have already told you.

There were a number of things, I don't know whether I can remember them all. For instance, there was one thing cropped up, in connection with the office building on University Avenue, they had no authority for that.

THE CHAIRMAN: Q--The money was spent for the building before the authority was passed ?

A--The money was spent. I thought they had no power to buy that land, and there were a number of things like that.

Q--How was that ? A--The money was spent for the land and buildings.

Q--When you took it up ? A--Yes, the amount of the buildings was \$400,000.

Q--Then this statement that your report was duly presented to the Treasurer of Ontario is incorrect ?

A--For 1916 ?

Q--Yes ? A--I did not present a report, and that is the reason I discussed the thing with Mr. McGarry. Of course,

it was for the Government to decide, but it seemed to me it would be rather useless to put in a report, because it was nothing but a series of criticisms from one end to another.

Q--What criticisms occur to you ? A--This building is one .

Q--Mr. Clarkson, could you let us have a copy of the report which you prepared and never presented ? A--Yes, sir.

MR. HAWKES: Then you are not an appointee of the Commission ?

MR. CLARKSON: I am not.

MR. HAWKES: So that Sir Adam is wrong when he says that.?

MR. CLARKSON: I am not an appointee of the Commission.

MR. PIERDON: I think how that came up, Mr. Hawkes, is due to this section of the Act:

"The Commission shall before the 18th day of February, in each year, make to the Treasurer of Ontario an Annual Report --"

I assume that is where Sir Adam Beck supposed that.

MR. HAWKES: You need not start speaking for Sir Adam.

MR. PIERDON: I know it to be a fact.

THE CHAIRMAN: Mr. Clarkson says he received no payment for it.

MR. CHARKSON: It was paid out of the Government appropriations, subsequently it is chargeable to the municipalities.

MR. PIERDON: The Commission pay the account and charge it to the municipalities.

MR. HAWKES: If you had presented a report for the period ending October 31st, 1916, as directed by the original Order-in-Council, it would have been a report full of criticisms of the Hydro ?

MR. CLARKSON: Overstepping the authorities.

THE CHAIRMAN: Mr. Clarkson is going to give us a copy of the report.

MR. HAWKES: Do I understand you to say that this special report --

MR. CLARKSON: It wasn't special.

MR. HAWKES: It is called "Special".

MR. CLARKSON: The printer used that word, it isn't special.

MR. HAWKES: Well, this very ordinary special report. But this report is not a report upon the accounts of the Hydro and the legislation under which the Hydro was acting, but is a report in keeping with the legislation that was passed for the period covered by the report ?

MR. CLARKSON: I want to answer your question as you ask it. Put it this way: It is in keeping with the legislation passed in the early part of 1918, but if it had not been modelled in keeping with that legislation it would not have been so definite, and so extensive, in the separating of the charges and things like that.

MR. HAWKES: It was a different basis than the one on which they had been proceeding ?

MR. CLARKSON: Put it the other way. Under the old Act, there was practically no basis laid down, that is the point.

MR. HAWKES: And, from the auditor's point of view, the basis of the accounts, and the legislation, was unsatisfactory.

MR. CLARKSON: I didn't think that it was sufficiently explanatory, or full enough, or complete enough. At the same time, I do say the question of a system wasn't acquired in 1916, there was a system.

THE CHAIRMAN: A system of keeping accounts.

MR. CLARKSON: There was this question of extension of time for municipalities first going on the system, that had been discussed, and there was a general, nebulous idea that they were to have three years before you collected the

account. At the same time the Act required that the minute they got power they would pay cost, which was perfectly impossible. They have to get a certain volume of business. Then there was the question of the supplying of power between one system and another that had not been cleared up. Mr. Pierdon tells me the sinking fund was thrown over for five years.

MR. PIERDON: Which meant we had to make adjustments from the very beginning, go over them again.

COMMISSIONER HANEY: Did you take a definite stand as to the use of certain moneys by the Hydro, not having been authorized ?

A--I did not say it was unauthorized, but just from the framing up of the Act there was a question about it, there was a contention one way and another.

COMMISSIONER HARRIS: Is that dealt with in that 1916 so-called special report ?

MR. CLARKSON: Yes. I thought I had fulfilled my duties when I stated that the expenditure had been made and that it had been questioned.

I do not know whether there are any other matters to be taken up.

THE CHAIRMAN: There is the matter of those mandatory provisions.

MR. CLARKSON: That comes in with the 1918 report.

MR. HAWKES: There is another case, putting in a report under
for 1917 the legislation that was not passed till 1918.

MR. CLARKSON: What I meant to say about that, was this, so far as the framing of that is concerned, there was nothing to prevent us putting our report in along that line, but there was no legislation enacted for it. We merely wanted to bring this down to a business basis.

THE CHAIRMAN: Mr. Clarkson, you made reference in your

first report to the under estimates given to municipalities, and stated that, on that account, there were a large number of municipalities who were in arrears ?

A--The Schedule shows the municipalities on every system.

Q--I understood you stated that that arose out of the fact that under-estimates had been given to these municipalities by the Commission ?

A--Did I put it that way, or was it because that they had over-estimated the amount of power they were going to take ?

COMMISSIONER HARRIS: You put it both ways.

A--The facts speak for themselves in there.

THE CHAIRMAN: Q--Will that appear in your report, Mr. Clarkson ?

A--The absolute fact with regard to every municipality on the system appears in that report; those facts are stated.

MR. HAWKES: The cost of power has exceeded the amount estimated, and mentioned in their contracts?

A--That is the fact.

THE CHAIRMAN: It is a fact that the cost of power has exceeded the amount estimated and mentioned in their contracts ?

MR. HAWKES: Yes.

MR. CLARKSON: That was admitted at that time, Mr. Hawkes.

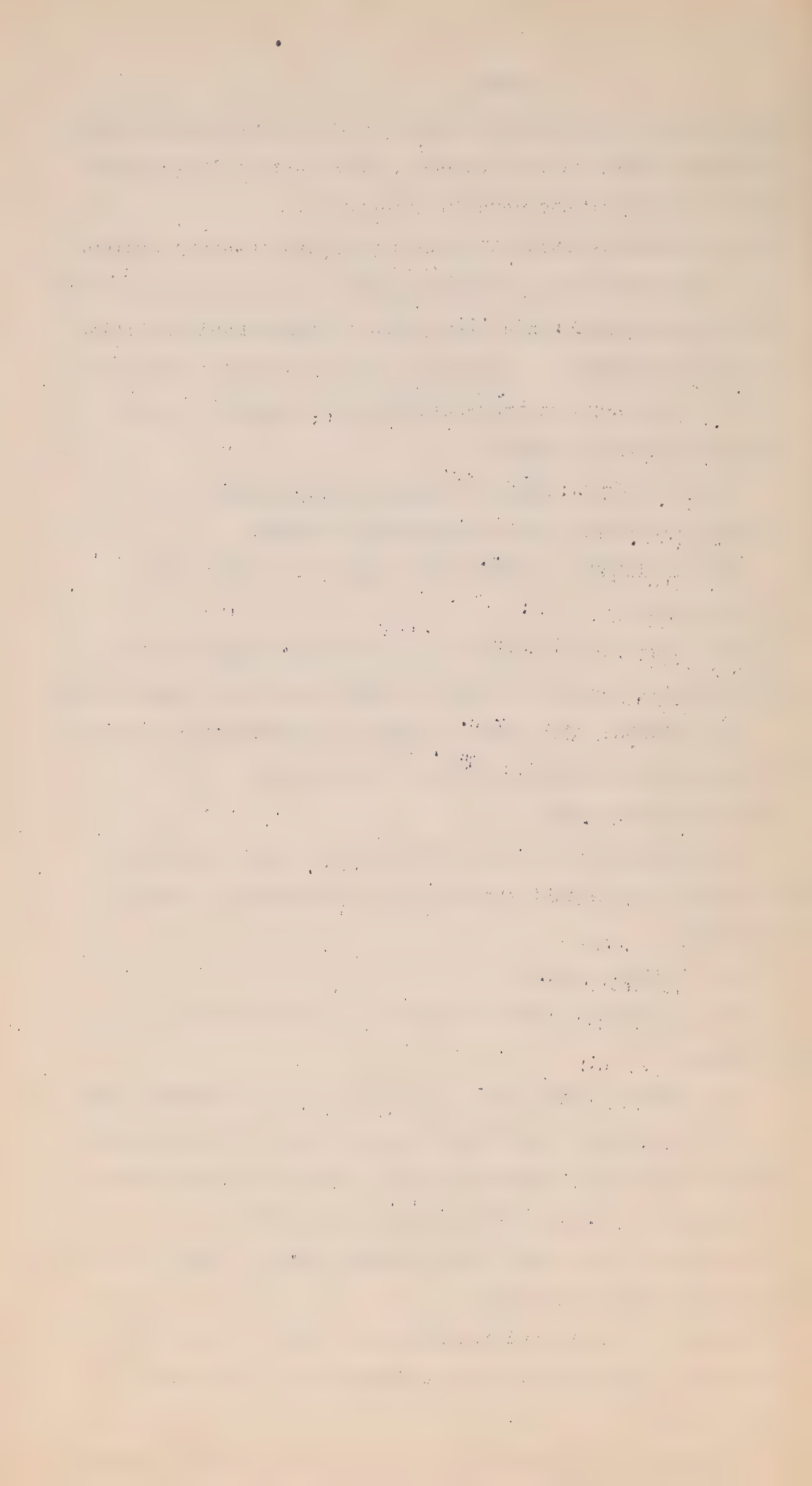
MR. HAWKES: That is on page 27, it is a valuable page.

THE CHAIRMAN: Mr. Clarkson, you heard reference made this morning to the Chippawa letter, about the ownership of the Chippawa. Do you know anything about that ?

A--I can tell you what I know about Chippawa, you mean the ownership of the Chippawa ?

Q--Yes ? A--My understanding was that it was first intended to make the Chippawa undertaking a Government undertaking.

Q--Owned by the Province ? A--Yes, owned by the Province,



but they found that the Queen Victoria Parks Commission at Niagara, which was a Government Commission, had entered into some contracts with the very power companies that the Government would come into competition with, in case they could not carry on that work, therefore, the Act was framed to make it a work for the benefit of the municipalities. That is my understanding.

Q--It could not carry it on in its own name.

MR. HAWKES: It could ?

MR. CLARKSON: That is the Act the way it is now.

MR. HAWKES: There is an important point there. There are two Acts 1916 and 1917. When you are saying that at first it was intended, do you mean by that that it was intended before legislation was introduced, and it was then changed ?

MR. CLARKSON: I don't know that Mr. Hawkes, but I will put it this way for you: My understanding is that it was made a work for the benefit of the municipalities, because if the Government had intended to make it a Government undertaking it could not have done so without a breach of its covenants.

MR. HAWKES: Yes, the fact is that the political machine was put up to say, now, you, the Legislature of Ontario, have no authority to develop power, it would break the law.

THE CHAIRMAN: Oh, well, it would be a matter of opinion.

MR. HAWKES: But they said you can authorize us to do it and it will be all right, but it wasn't done even then under those conditions.

THE CHAIRMAN: It might be a breach of contract if the Government had done it itself, but it might not be a breach if done through the Hydro.

MR. HAWKES: Done through the municipalities.

MR. CLARKSON: You are asking me what I know about it, and I am telling you what I am told was the legal situation.

THE CHAIRMAN: Mr. Pierdon, do you think you can get that letter to us, the one which Sir Adam Beck wrote ?

MR. PIERDON: I will try, Mr. Chairman.

MR. CLARKSON: I don't know that there are any other points.

MR. GUILFOYLE: There is this, Mr. Clarkson: Mr. Hawkes made reference to the fact that Mr. Andrews held a similar position.

MR. HAWKES: No, no, I didn't say the same position, I said to some extent.

MR. GUILFOYLE: That is what I am referring to. When you say "to some extent" Mr. Andrews' position was not, in any ^{way}, to be compared to ours. Mr. Andrews held a position that was a two-fold one, you might say. He signed the cheques of the Commission on behalf of the Chairman of the Commission.

THE CHAIRMAN: I suppose he can be compared to you because he audited the accounts.

MR. GUILFOYLE: Mr. Andrews didn't audit the accounts.

MR. HAWKES: My allusion to Mr. Andrews was very clear. Mr. Andrews, at the Public Accounts Committee, was speaking for Hydro with regard to how they audited their accounts, and that sort of thing and, to that extent, he was in a similar position to what you find Mr. Clarkson in today.

MR. PIERDON: He was termed the Advising Accountant to the Commission.

THE CHAIRMAN: Were you there at the same time ?

MR. PIERDON: Yes, sir, he was in charge of the accounts.

THE CHAIRMAN: Mr. Pierdon, would the correspondence between the Commission and Mr. McGarry, to which reference has been made this morning, be in your files ?

MR. PIERDON: I cannot say definitely, it ought to be in the general file.

MR. CLARKSON: There is only one other point. So far as the form of these audits is concerned, I can only say that if the audits are the subject of criticism, in any way at all, why, anyone ought to welcome reasonable criticism, but if they are not proper, or if they are not extensive enough, the question cannot be that we had not the capacity to make them. I felt, and I feel now, that we did our duty in connection with this audit, fully and completely. We used our best efforts, and we have checked this thing up and have tried to tighten it down, and I think we have succeeded.

COMMISSIONER HARRIS: I understand that with all the safeguards you have tried to put around this whole proposition you have still been unable to prevent the Chairman from doing unauthorized things.

MR. CLARKSON: I can say, Mr. Harris, as I said the other day, the thing is fundamental; the way these accounts are checked and audited there, I do not see the benefit of having a Comptroller. It is simply a question of this, that if expenditures are made without authority they are made without authority by the people at the head.

COMMISSIONER HARRIS: Exactly, that is the trouble, that is the seat of the whole trouble.

MR. CLARKSON: And I still say to you that in a commercial work the size of this I do not see the benefit of a Comptroller.

COMMISSIONER HARRIS: Well, it can be done, and I think that is a matter that should be very seriously considered, but it can be done, I think.

(The Commission adjourned at 1.50 p.m. Thursday,
1st March, 1923, to the call of the Chair.)
